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Department of Energy
Office of Inspector General
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Mail Stop MA-90
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[Online FOIA Request Form](#)

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Department of Energy

Washington, DC 20585

JUN - 1 2015

Re: Freedom of Information Act Request HQ-2014-01252-F

This is the Office of Inspector General (OIG) partial response to the request for information that you sent to the Department of Energy (DOE) under the Freedom of Information Act (FOIA), 5 U.S.C. § 552. You asked for "a copy of the Dept of Energy OIG Weekly Activity Reports for the time period January 1, 2011 through the present."

The OIG has completed the search of its files and identified eight documents responsive to your request. A review of the responsive documents and determination concerning their release has been made pursuant to the FOIA, 5 U.S.C. § 552. Because of the voluminous nature of the request, we are releasing the 2014 Weekly Activity Reports to you now, which consists of two documents. We are continuing the processing of your request and additional responses will be sent to you at a later day. Based on this review of these two documents, the OIG determined that certain material has been withheld from the responsive documents pursuant to subsections (b)(5), (b)(6), (b)(7)(A), (b)(7)(C) (b)(7)(E) (referred to as Exemptions 5, 6, 7(A), 7(C), and 7(E) respectively). Specifically the OIG review determined:

(b)(6), (b)(7)(A), and (b)(7)(C) (referred to as Exemptions 5, 6, 7(A), and 7(C) respectively). Specifically the OIG review determined:

- Document 1 is being released to you with certain material withheld pursuant to Exemptions 6, 7(A), 7(C), and 7(E).
- Document 2 is being released to you with certain material withheld pursuant to Exemptions 5, 6, and 7(C).

Exemption 5 exempts from mandatory disclosure "inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency. . . ." Exemption 5 incorporates the deliberative process privilege which protects recommendations, advice, and opinions that are part of the process by which agency decisions and policies are formulated.

The information redacted under Exemption 5 reflects the advisory opinions between subordinates and their management. The OIG has determined that the disclosure of material withheld pursuant to Exemption 5 is not in the public interest. In this case, the disclosure of pre-



Exemption 7(A) permits the withholding of “records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information (A) could reasonably be expected to interfere with enforcement proceedings. . . .” The material that is withheld pursuant to 7(A) includes documents pertaining to an ongoing investigation and includes case processing forms and printouts; memorandum of interview and investigative activity. Since there has been no final determination concerning this matter, Exemption 7(A) has been applied to the documents. Release of the withheld material at this time could prematurely reveal evidence and interfere with the ongoing enforcement proceeding.

Under Title 10, Code of Federal Regulations (C.F.R.), subsection 1004.1, the DOE will make available records, which it is authorized to withhold under the FOIA, whenever it determines that disclosure is in the public interest. In invoking Exemption 7(A), we have concluded that it is not in the public interest to disclose material relating to an ongoing law enforcement proceeding. We have determined that it is not in the public interest to release investigative information when, as in this case, release could tend to prematurely disclose enforcement efforts, or provide individuals involved an opportunity to fabricate defenses, destroy evidence, intimidate actual or potential witnesses, or otherwise impede an appropriate resolution of the enforcement matter.

Exemption 6 protects from disclosure “personnel and medical and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. . . .” Exemption 7(C) provides that “records or information compiled for law enforcement purposes” may be withheld from disclosure, but only to the extent the production of such documents “could reasonably be expected to constitute an unwarranted invasion of personal privacy. . . .”

Names and information that would tend to disclose the identity of certain individuals have been withheld pursuant to Exemptions 6 and 7(C). Individuals involved in the OIG enforcement matters, which in this case include subjects, witnesses, sources of information, and other individuals, are entitled to privacy protections so that they will be free from harassment, intimidation and other personal intrusions.

In invoking Exemptions 6 and 7(C), we have determined that it is not in the public interest to release the withheld material. In this request, we have determined that the public interest in the identity of individuals who appear in these files does not outweigh these individuals’ privacy interests. Those interests include being free from intrusions into their professional and private lives.

Exemption 7(E) permits the withholding of records which “would disclose techniques and procedures for law enforcement investigations or prosecutions” if the techniques and procedures are not well known to the public or “the circumstances of their usefulness...may not be widely known.”

The information being withheld pursuant to Exemption 7(E) includes processes related to standards and responsibilities, coordination of investigations with other offices, the investigative process and performance measure systems, criteria for opening cases, and processes for conducting investigations and interviews. Disclosure of this information would allow potential law violators to tailor their actions so as to minimize detection, tamper with the investigative

process, and interfere with investigations into wrongdoing. Additionally, the disclosure of information withheld pursuant to interviews could permit potential wrongdoers to interfere with the OIG's ability to obtain and use statements effectively and could thus risk circumvention of the law.

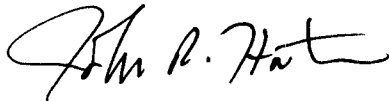
To the extent permitted by law, the DOE, in accordance with Title 10, Code of Federal Regulations (C.F.R.) § 1004.1, will make available records it is authorized to withhold pursuant to the FOIA unless it determines such disclosure is not in the public interest.

As required, all releasable information has been segregated from the material that is withheld and is provided to you. See 10 C.F.R. § 1004.7(b)(3).

This decision may be appealed within 30 calendar days from your receipt of this letter pursuant to 10 C.F.R. § 1004.8. Appeals should be addressed to the Director, Office of Hearings and Appeals, HG-1/L'Enfant Plaza Building, U.S. Department of Energy, 1000 Independence Avenue SW, Washington, DC 20585-1615.

Thereafter, judicial review will be available to you in the Federal district court either (1) in the district where you reside, (2) where you have your principal place of business, (3) where the Department's records are situated, or (4) in the District of Columbia.

Sincerely,



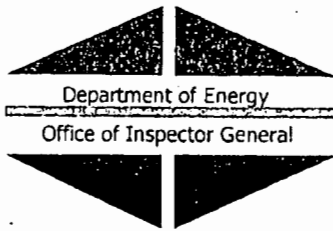
John R. Hartman
Acting Assistant Inspector General
for Investigations
Office of Inspector General



Daniel M. Weeber
Assistant Inspector General
for Audits and Administration
Office of Inspector General

Enclosures

Document Number 1



WEEKLY ACTIVITY REPORT

Ending January 10, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former State of Texas Official Sentenced in Recovery Act Grant Fraud Investigation

On December 20, 2013, a former State of Texas Grant Administrator was sentenced in the Travis County Texas District Court. The former State of Texas official will serve 3 years of deferred adjudication probation; was ordered to pay \$2,500 in restitution; cannot be employed in a position that manages grant funds; and cannot have contact with the other defendant in this investigation. The investigation determined that the owner of a Department subcontractor company and the former State of Texas official conspired to submit fraudulent documents and make false claims to the Department to obtain approximately \$2 million in Recovery Act funds. As previously reported, the owner was found guilty of one count of fraud and an unrelated weapons violation and is currently serving a 15 year sentence. (111AL015:

(b)(6),(b)(7)(C)

2. Individual Pleads Guilty in Computers for Learning Program Fraud Investigation

On January 3, 2014, in U.S. District Court for the Western District of Washington, an individual pleaded guilty to one count each of wire fraud, aggravated identity theft and filing a false tax return. The investigation determined that the individual created thirteen fraudulent not-for profit entities and then made false representations on applications for computers and computer related equipment with the General Services Administration (GSA) under the Computers for Learning program. After the individual received the computer related equipment he converted it to personal use by reselling it. From June 2007 to June 2013 the fraudulent entities received computers and computer related equipment with an acquisition value in excess of \$30 million. The Department's exposure, which involved nineteen separate facilities, totaled over \$7.5 million. Sentencing is set for April 3, 2014. This is a joint investigation with the (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(112RL009: (b)(6),(b)(7)(C)

3. Contractor Settles False Claims Case with the Department

On December 23, 2013, the OIG confirmed LG Chem Michigan, Inc. complied with the terms of a Civil Settlement and paid the United States \$1.23 million to resolve False Claims Act allegations. The Department received \$200,403.23 of this amount to reimburse for damages, and the balance of the funds will be remitted to the U.S. Treasury. As previously reported, the OIG investigation determined LG Chem Michigan, Inc. submitted claims to the Department for the first three quarters of 2012 to obtain wage and benefit reimbursements for workers who were engaged in unallowable activities. (113PT004: (b)(6),(b)(7)(C))

4. Contract Employee's Access to Site Revoked

On December 24, 2013, The National Energy Technology Laboratory (NETL) revoked a contract employee's access to the site after the OIG determined that the employee was attempting to steal Government property from the site. NETL security officers contacted the OIG after they became suspicious of the employee as he was attempting to leave the site with what they believed to be Government property in his truck. The OIG responded, interviewed the contract employee, and determined he was attempting to steal five industrial electric motors, an industrial pump, an industrial impeller, and a water heater from the site. The matter is currently being coordinated with the U.S. Attorney's Office for the Western District of Pennsylvania. (114PT003: (b)(6),(b)(7)(C))

5. Investigative Report to Management Issued in False Claims Investigation

On December 27, 2013, an IRM was issued to the Director of the National Nuclear Security Administrations (NNSA) Office of Acquisition and Project Management, recommending suspension and debarment for a former NNSA Managing and Operating (M&O) contractor employee. The investigation determined that from January to October 2012, the former M&O employee claimed hours not actually worked, totaling \$19,452.42. Prior to OIG involvement, the M&O contractor terminated the former M&O contractor employee and reimbursed \$19,452.42 to the NNSA. (114AL003: (b)(6),(b)(7)(C))

6. Investigative Report to Management Issued in Access Device Fraud Investigation

On December 31, 2013, an IRM was issued to the Director of the NNSA's Office of Acquisition and Project Management and to the Field Office Managers for the Los Alamos National Laboratory and Sandia National Laboratories recommending suspension and debarment and advising of the investigative findings to the NNSA's Personnel Security Department. As previously reported, the investigation determined the former subcontractor employee provided thousands of serial numbers for Department-owned computers to another individual not affiliated with the Department. (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

replacements that were later sold for personal gain. The former subcontractor employee was sentenced to 10 years incarceration, 5 years probation, and 1 year parole after pleading guilty to 10 counts of fraud and conspiracy in the Second Judicial District for the State of New Mexico. Prosecution of the second individual is pending. This is a joint investigation with (b)(6), (b)(7)(C) [redacted] I10AL012: (b)(6), (b)(7)(C) [redacted]

7. Significant Cost Savings to the Department

As a result of a joint investigation with the Department of Labor, a former Western Area Power Administration employee was rendered ineligible for \$360,797 in future Department-funded compensation. As previously reported, the investigation determined the former employee defrauded the Department of Labor's Workers Compensation Program by not reporting self-employment income. (108DN003: (b)(6), (b)(7)(C) [redacted])

8. Action Taken in Response to an Ongoing Office of Inspector General False Claims Investigation

On January 7, 2014, Sandia National Laboratories (Sandia) notified the OIG that as a result of an ongoing OIG investigation of a Sandia subcontractor, Sandia did not extend the final option year of the subcontractor's contract. Sandia estimated that by not extending the subcontractor's contract, the Department would save approximately \$3.4 million dollars that will be put to better use. This is an ongoing joint investigation with the Federal Bureau of Investigation and Internal Revenue Service Criminal Investigation. (I13AL007: (b)(6), (b)(7)(C) [redacted])

9. Funds Put to Better Use in American Recovery and Reinvestment Act Investigation

On January 3, 2014, as a result of an ongoing investigation, the subject of the investigation was disqualified from receiving health benefits by the State of New Mexico for a period of 1 year, totaling approximately \$3,431.00. The joint investigation with the New Mexico Human Services OIG found the subject, who has no affiliation to the Department, made false statements on applications and received approximately 4 years worth of benefits from both the Department American Recovery and Reinvestment Act Weatherization Program and a New Mexico Human Services Benefit program. The loss to the Government is approximately \$12,500.

(b)(6), (b)(7)(C) [redacted]

(b)(6), (b)(7)(C) [redacted]

(I11AL004: (b)(6), (b)(7)(C) [redacted])

10. Former Community Action Agency Director Suspended

On December 19, 2013, the former Director of a Louisiana Community Action Agency was suspended from Government contracting. As previously reported, the former Director pleaded guilty to embezzling more than \$50,000 in Federal weatherization and training funds that had been received from the Department as

well as Health and Human Services. The investigation determined the former Director used the embezzled funds for personal use. (I12CH004: (b)(6),(b)(7)(C))

CASE INVENTORY¹

Total Open Cases as of Previous Ending Date	224
Cases Opened This Week	4
Cases Closed This Week	2
Total Open Cases for this Ending Date	226
Cases in Hold Status	0
Cases Pending Closure/Action	3
ICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	54
Hotline Complaints Predicated	10
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	2

Positive Outcome Details

- In response to an OIG referral, Fossil Energy (FE) changed the 2014 application process for the Mickey Leland Energy Fellowship Program. It was alleged that selectees were not selected based on merit, but were instead selected because of familial relationships to current or former FE employees. Previously, applicants were not asked about familial ties to anyone employed by FE or the Department. Beginning in 2014, the application will include questions regarding familial ties to FE and the Department. If an applicant has familial ties to FE or the Department, the family member and the selecting official will have to certify the selection was not influenced. (I14RS004: (b)(6),(b)(7)(C))
- In response to an OIG referral, three contractor employees and three contractor supervisors received written and verbal reprimands respectively. This followed allegations that the majority of URS | CH2M Oak Ridge LLC (UCOR) employees' overtime hours were spent conducting activities unrelated to work, including playing games and surfing the Internet. During a review into the allegations, it was determined that three employees were conducting physical fitness activities during working hours, and three supervisors were aware of the activities. (I13RS055: (b)(6),(b)(7)(C))

RECOVERY ACT EFFORTS

- None

¹ Time period covered includes weeks ending December 27, 2013, January 3, 2014, and January 10, 2014.

OTHER MATTERS

- The daily News Briefing produced by Bulletin Intelligence for the Department is available at <http://www.bulletinintelligence.com/energy>. Access to this website is automatically granted from network addresses at Department facilities.

JOYS, CARES, CONCERNS

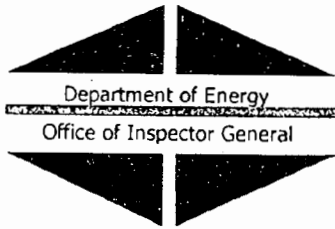
- Congratulations to Assistant Special Agent-in-Charge [REDACTED] and [REDACTED] on their recent wedding. [REDACTED] and their [REDACTED] have happily moved into a bigger house!
- Congratulations to SAs [REDACTED] who received Certificates of Appreciation from the National Science Foundation Office of Inspector General for providing assistance with case file organization and procedures.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
 1. DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.
 2. Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to SA [REDACTED] once completed. (**NOTE:** This course takes longer than most other online courses. Plan accordingly to meet the deadline.)
- Employees required to file an Annual Financial Disclosure Report (OGE Form 450/450A) are reminded the filing deadline is February 18, 2014. If required to file, you should have received an email from the Department with instructions.
- We have received our Peer Review engagement letter from the Department of Veterans Affairs. An informal pre-entrance meeting with their team leader is set for January 13, 2014.

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending January 17, 2014

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SIGNIFICANT ACTIVITY

1. Individual Pleads Guilty in Access Device Fraud Investigation

On January 9, 2014, an individual pled guilty in U.S. District Court for the Eastern District of New York to multiple violations of access device fraud and aggravated identity theft. The investigation determined the individual gained access to 11 Defense Finance and Accounting Service myPay accounts of Department employees and altered the direct deposit information to have paychecks diverted to suspect bank accounts. Sentencing has been set for September 2014. This is a joint investigation with the Federal Bureau of Investigation (FBI) and the Office of Personnel Management OIG. The investigation was coordinated with the U.S. Attorney's Office for the Eastern District of New York and the Department of Justice Computer Crime and Intellectual Property Section. (I12TC004: (b)(6),(b)(7)(C))

2.

(b)(6),(b)(7)(A),(b)(7)(C)

(I12OR017: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	224
Cases Opened This Week	0
Cases Closed This Week	3
Total Open Cases for this Ending Date	221
Cases in Hold Status	0
Cases Pending Closure/Action	3
TICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	18
Hotline Complaints Predicated	8
Referral Letters Issued	7
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to a threat to a senior Office of General Counsel employee and a member of Congress, the Hotline and Analysis Section facilitated the initiation of a joint investigation involving the Department's Office of Health, Safety and Security, U.S. Department of State, U.S. Capitol Police, FBI, and U.S. Attorney's Office for the District of Columbia. As a result of the Hotline's efforts, the FBI has assumed the lead role in the investigation. (114ZH045: [REDACTED])

RECOVERY ACT EFFORTS

- On January 8, 2014, SAs [REDACTED] conducted a Fraud Awareness Briefing for 10 employees in the Office of Economic Impact and Diversity's Small and Disadvantaged Business Utilization office. The briefing focused on fraud indicators, types of fraud investigations, and reporting procedures.

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. At that time, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.
- The deadline for the CMTS Name Contest is February 14, 2014. Submit ideas via email to OIGCMTS@hq.doe.gov.

JOYS, CARES, CONCERNS

- Please welcome [REDACTED] as an Investigative Analyst with Central Investigative Operations. [REDACTED] was detailed from Inspections for the past year, and [REDACTED] transitioned to a permanent position with Investigations on January 12, 2014.
- Congratulations to SA [REDACTED] as they welcome a [REDACTED] to their family. [REDACTED] was born Monday evening, [REDACTED].

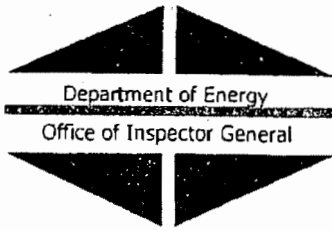
- SA (b)(6),(b)(7)(C) announced (b)(6),(b)(7)(C) retirement from Federal service effective February 22, 2014. The Albuquerque office is planning a much deserved luncheon in honor. Donations (b)(6),(b)(7)(C) retirement gift are being collected by SA (b)(6),(b)(7)(C).
- Condolences to Assistant Special Agent-in-Charge (ASAC) (b)(6),(b)(7)(C) family on the loss of ASAC (b)(6),(b)(7)(C) father-in-law.
- Condolences to ASAC (b)(6),(b)(7)(C) family on the loss of ASAC (b)(6),(b)(7)(C) brother-in-law.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
 - DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.
 - Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to SA (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) once completed. (**NOTE:** This course takes longer than most other online courses. Plan accordingly to meet the deadline.)
- Employees required to file an Annual Financial Disclosure Report (OGE Form 450/450A) are reminded the filing deadline is February 18, 2014. If required to file, you should have received an email from the Department with instructions.
- Our Peer Review entrance meeting occurred on January 13, 2014. Their review team intends to take approximately 60 days to review the various documents they have requested. It is anticipated they will be conducting their on-site inspection sometime in April 2014.

DISTRIBUTION

Inspector General
 Counsel to the Inspector General
 Deputy Inspector General for Audits and Inspections
 Assistant Inspector General for Audits
 Assistant Inspector General for Inspections
 Deputy Inspector General for Management and Administration
 All Office of Investigations Employees



Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending January 24, 2014

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SIGNIFICANT ACTIVITY

- **Sentencing in Savannah River Site False Statements Investigation**

On January 21, 2014, in U.S. District Court for the District of South Carolina, a former contractor employee was sentenced to 3 years of probation. As previously reported, the individual was indicted and pled guilty to false statements in connection with providing false personally identifiable information to obtain a Savannah River Site badge for entry into the site. (I12SR011 (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	221
Cases Opened This Week	2
Cases Closed This Week	3
Total Open Cases for this Ending Date	220
Cases in Hold Status	0
Cases Pending Closure/Action	3
ITCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	24
Hotline Complaints Predicated	12
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

RECOVERY ACT EFFORTS

- None

This document is for ~~OFFICIAL USE ONLY~~. Public disclosure is determined by the Freedom of Information Act (Title 5, U.S.C., Section 552) and the Privacy Act (Title 5, U.S.C., Section 552a).

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.
- The deadline for the CMTS Name Contest is February 14, 2014. Submit ideas via email to OIGCMTS@hq.doe.gov.

JOYS, CARES, CONCERNS

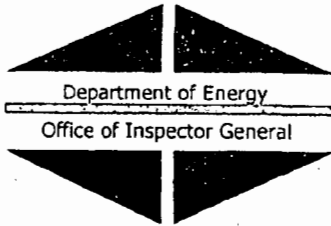
- We send our best wishes to Special Agent-in-Charge (b)(6),(b)(7)(C) leaves us to become a Program Manager at the Inspector General Criminal Investigator Academy. (b)(6),(b)(7)(C) last day with DOE OIG is January 25, 2014.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
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- Employees required to file an Annual Financial Disclosure Report (OGE Form 450/450A) are reminded the filing deadline is February 18, 2014. If required to file, you should have received an email from the Department with instructions.

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Department of Energy
Office of Inspector General

Ending January 31, 2014

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SIGNIFICANT ACTIVITY

1. Response to Investigative Report to Management Issued in Conflict of Interest Investigation

On January 27, 2014, in response to an Investigative Report to Management (IRM), the Oak Ridge Office (ORO) Manager reassigned ORO's Small Business Program (b)(6),(b)(7)(A),(b)(7)(C) to another office within ORO and sanctioned the individual with 10 non-consecutive days of leave without pay. The investigation determined the (b)(6),(b)(7)(A),(b)(7)(C)

Department Mentor

Protégé award. This award allowed the subcontractor (b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C) ORO relied on the SBPM as the subject matter expert regarding Mentor Protégé agreements, and the SBPM participated in the application assessment between the prime contractor (b)(6),(b)(7)(A),(b)(7)(C)

did not disclose (b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C) (I12OR017: (b)(6),(b)(7)(C)

2. Investigative Report to Management Issued in Fraud Investigation

On January 27, 2014, an IRM was issued to the Director of the National Nuclear Security Administration's Office of Acquisition and Project Management recommending suspension and debarment for a former Los Alamos National Laboratory (LANL) contractor employee. The investigation determined LANL paid the former contractor employee for 354 hours of sick leave to which (b)(6),(b)(7)(C) was not entitled. The investigation found the former contractor employee took sick leave from LANL, while performing outside employment and residing in North Carolina. The former contractor employee agreed to repay LANL \$13,382.72. (I07AL013: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	220
Cases Opened This Week	3
Cases Closed This Week	1
Total Open Cases for this Ending Date	222
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	35
Hotline Complaints Predicated	13
Referral Letters Issued	6
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

RECOVERY ACT EFFORTS

- On January 24, 2014, SAs (b)(6), (b)(7)(C) provided a Fraud Awareness Briefing to 20 members of Fermi's procurement department, legal division and business services staffs. The briefing focused on fraud indicators and the Recovery Act.

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.
- The deadline for the CMTS Name Contest is February 14, 2014. Submit ideas via email to OIGCMTS@hq.doe.gov.

JOYS, CARES, CONCERNS

- We send our best wishes to Special Agent-in-Charge (b)(6), (b)(7)(C) as (b)(6), (b)(7)(C) retires. (b)(6), (b)(7)(C) last day with DOE OIG is January 31, 2014.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel are reminded to submit CHRIS training requests at least 5 business days prior to training commencement. Requests must be approved at least 3 business days prior to training commencement. The following fields on the request form must be completed as accurately as possible:

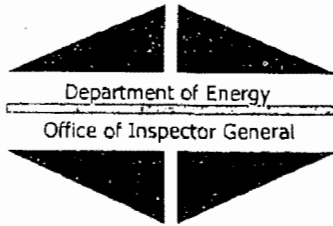
- Course Title; Begin/End Date; Duty Hours; Course Type; Delivery Type; Vendor Name; Vendor City/State; Training Location City/State; Training Reason; Purpose; Estimated Direct Costs; Indirect Costs; and Training Objectives.

Any questions about the request form, to include questions or concerns regarding approval status should be directed to your supervisor or to P3.

- Employees required to file an Annual Financial Disclosure Report (OGE Form 450/450A) are reminded the filing deadline is February 18, 2014. If required to file, you should have received an email from the Department with instructions.

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WEEKLY ACTIVITY REPORT

Ending February 7, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Guilty Plea in Solar Rebate Program Investigation

On January 29, 2014, in U.S. District Court for the Western District of Virginia, a subcontractor pled guilty to one count of theft of government funds in connection with fraudulently applying for American Reinvestment and Recovery Act (ARRA) incentive rebate monies, designated for the purchase of energy efficient thermal heating systems. The investigation determined the subcontractor violated ARRA rules by utilizing repurposed solar panels on ARRA projects and used the ARRA program to install a heating system on a swimming pool. Additionally, the subcontractor submitted inflated claims to the Commonwealth of Virginia, resulting in overbilling to the Department by approximately \$23,000. Sentencing has been set for April 23, 2014. This investigation was coordinated with the U.S. Attorney's Office for the Western District of Virginia and the Commonwealth of Virginia Office of Inspector General. (I13HQ002: (b)(6),(b)(7)(C))

2. Investigative Report to Management Issued in Grant Fraud Investigation

On February 5, 2014, an Investigative Report to Management (IRM) was issued to the Director of the Department's Office of Procurement and Assistance Management and to the Acting Director for the National Energy Technology Laboratory recommending suspension and debarment action against the a former Department subcontractor company, the company owner, and a former State of Texas Grant Administrator. The investigation determined that the owner and the former State of Texas official conspired to submit fraudulent documents and make false claims to the Department to obtain approximately \$2 million in ARRA funds. The former State of Texas official was sentenced to serve three years of deferred adjudication probation, ordered to pay \$2,500 in restitution, cannot be employed in a position that manages grant funds, and cannot have contact with the other defendant in this investigation. The owner was found guilty of one count of fraud and other weapons violations stemming from this investigation and is currently serving a 15 year federal sentence. (I11AL015: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	222
Cases Opened This Week	1
Cases Closed This Week	1
Total Open Cases for this Ending Date	222
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	83
Hotline Complaints Predicated	14
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.
- The deadline for the CMTS Name Contest is February 14, 2014. Submit ideas via email to OIGCMTS@hq.doe.gov.
- All Washington DC-based personnel are reminded that the passing of security clearances or sensitive compartmented information access must be coordinated through the OIG Headquarters Security Officer, (b)(6), (b)(7)(C) Personnel at field locations should coordinate through their local OIG Security Officers. Additional information can be found on the Security tab of IGComm, under Quarterly Security Tips.

JOYS, CARES, CONCERNS

- We send our condolences to (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) family. (b)(6), (b)(7)(C) grandmother died peacefully this past weekend at the age of 83.

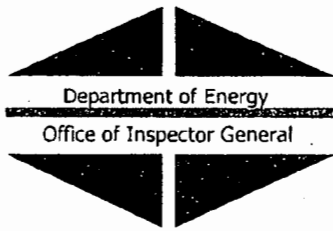
- Congratulations to Special Agent (b)(6), (b)(7)(C) [redacted] OIG Office of Audits and Inspections, on their newest family addition, (b)(6), (b)(7)(C) [redacted] born on (b)(6), (b)(7)(C) [redacted] 2014.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- We are transitioning away from shadow boxes containing badge and credentials for departing employees. Instead, when appropriate, departing employees will receive a Lucite-encased badge, and voided credentials will be provided in accordance with OI Manual Chapter 4, Exhibit B.
- Midterm Progress Reviews must be finalized in ePerformance by March 28, 2014.
- Employees required to file an Annual Financial Disclosure Report (OGE Form 450/450A) are reminded the filing deadline is February 18, 2014. If required to file, you should have received an email from the Department with instructions.
- The correct routing chain for CHRIS training requests is as follows:
 - Requestor's Special Agent-in-Charge (If unavailable, opt to SKIP this approval, but notify SAC/ASAC of request submission.)
 - (b)(6), (b)(7)(C) [redacted]
 - (b)(6), (b)(7)(C) [redacted]
 - (b)(6), (b)(7)(C) [redacted]
- Based on our forecasted budget situation for the duration of this year, supervisors again have the ability to authorize a rental car for an agent attending advanced training at FLETC-Glynco. Only a compact car may be authorized, in accordance with OIG policy, and will be shared by up to three agents attending the same training program or another program during the same time period. This policy will be reviewed and, if permissible, renewed by the AIGI on an annual basis.

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending February 14, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- Investigative Reports to Management Issued in an Embezzlement Investigation

On February 12, 2014, an Investigative Report to Management (IRM) was issued to the Acquisition and Assistance Division, National Energy Technology Laboratory, recommending the recovery of \$18,580 in unallowable costs. On February 13, 2014, a second IRM was issued to the Department Office of Acquisition and Project Management recommending suspension and debarment action against two former employees. The investigation determined the former employees embezzled funds from a Department contractor and that these funds were billed to the Department. The embezzlements were facilitated through transactions involving the billing of unauthorized international telephone calls and an employee advance loan program. This is a joint investigation with (b)(6), (b)(7)(C) (111F004: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	224
Cases Opened This Week	0
Cases Closed This Week	3
Total Open Cases for this Ending Date	221
Cases in Hold Status	0
Cases Pending Closure/Action	3
ICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	66
Hotline Complaints Predicated	12
Referral Letters Issued	9
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.
- The deadline for the CMTS Name Contest is today. Submit ideas via email to OIGCMTS@hq.doe.gov.

JOYS, CARES, CONCERNS

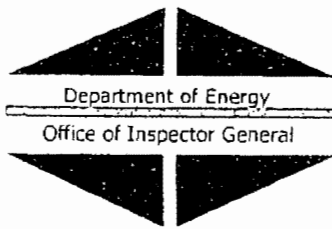
- Congratulations to Assistant Special Agent-in-Charge (ASAC) (b)(6), (b)(7)(C) selection into this year's Executive Potential Program, which is conducted through the Graduate School USA. ASAC (b)(6), (b)(7)(C) was approved by the Department to participate following a competitive selection process by the Investigations Career Advisory Panel. The Office of Investigations plans to nominate at least one GS-14 attendee each year, subject to budget constraints.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The on-site inspection for the Washington, DC portion of the Peer Review has been scheduled for April 14 – April 17, 2014. A second location and date have not yet been determined.
- Midterm Progress Reviews must be finalized in ePerformance by March 28, 2014.
- Employees required to file an Annual Financial Disclosure Report (OGE Form 450/450A) are reminded the filing deadline is February 18, 2014. If required to file, you should have received an email from the Department with instructions.
- The February 2014 version of the OI Policy Manual Chapter 18 was released this week. Acknowledgment forms should be submitted to your ASAC. This version will be uploaded to IGComm in the near future, but is effective immediately.

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WEEKLY ACTIVITY REPORT

Ending February 21, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Sentencing in Y-12 Destruction Case

On February 18, 2014, three individuals were sentenced in U.S. District Court for the Eastern District of Tennessee for Destruction of National Defense Materials, Premises, or Utilities and Damage to Government Property. One individual was sentenced to serve 35 months in prison, while the other two will serve 62 months in prison. All three will serve three years supervised release upon release from prison, and will be jointly responsible for \$52,953 in restitution to the Department. As previously reported, on July 28, 2012, the individuals illegally entered the Y-12 National Security Complex in Oak Ridge, Tennessee, cut through fences, and caused damage to the Highly Enriched Uranium Materials Facility. This was a joint investigation with the Federal Bureau of Investigation. (I12OR018: (b)(6),(b)(7)(C))

2. Subcontractors Debarred in Weatherization Program Investigation

On January 10, 2014, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management debarred a former weatherization subcontracting agency and its Executive Director from doing business with the Federal Government for a period of 3 years. As previously reported, the investigation determined two officers of a community based organization converted approximately \$150,000 of Recovery Act weatherization grant monies for their personal use. This case is being prosecuted by the U.S. Attorney's Office for the District of Columbia. (I12HQ010: (b)(6),(b)(7)(C))

3. Response to Investigative Report to Management Issued in Misuse of Position Case

On February 11, 2014, the Acting Undersecretary for Nuclear Security and the Director, Office of Human Capital Management (HCM), issued responses to an Investigative Report to Management involving misuse of position by two senior National Nuclear Security Administration (NNSA) officials and a senior HCM official. The Acting Undersecretary issued a formal letter of reprimand to one of the NNSA officials and required the official to undergo training and counseling after the Designated Agency Ethics Official confirmed that the NNSA official violated the Standards of Ethical Conduct for Employees of the Executive Branch. The other senior NNSA official retired from Federal service following proposed disciplinary action but before the response was issued. Additionally, the Director of HCM issued a letter of reprimand to the HCM official and counseled the official on (b)(6), (b)(7)(C) role in the matter. As previously reported, the investigation determined that a senior NNSA official facilitated the employment of another NNSA official's (b)(6), (b)(7)(C) with a Department contractor. (113HQ012: (b)(6), (b)(7)(C))

4. Grantee Settles False Claims Case

On February 17, 2014, the OIG was notified that the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of North Carolina had reached a settlement agreement with General Electric Hitachi Energy Americas, LLC (GEH) and its parent company General Electric (GE). The settlement consists of GEH agreeing to pay \$2.7 million to settle qui tam allegations that they violated the False Claims Act by making false statements and claims to the Department and the Nuclear Regulatory Commission (NRC) concerning an advanced nuclear reactor design. The investigation found that GE and GEH falsely represented to the Department and NRC that they concealed known flaws in their steam dryer analysis and falsely represented that they had properly analyzed the steam dryer in accordance with applicable standards and requirements. Specifically, GEH did not disclose to the NRC that the testing model was only valid at some operating frequencies and was not valid at an operating frequency at which steam dryer-related acoustic damage had occurred in prior reactors. This was a joint investigation with (b)(6), (b)(7)(C) (112SR006 (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	221
Cases Opened This Week	2
Cases Closed This Week	0
Total Open Cases for this Ending Date	223
Cases in Hold Status	0
Cases Pending Closure/Action	3
UCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	18
Hotline Complaints Predicated	12
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to a management referral sent to the Savannah River Site General Counsel's Office, an individual was suspended for 10 days for violating the Department's policy regarding the use of Government resources for unauthorized purposes and misuse of duty time. The investigation determined the individual viewed extensive amounts of adult pornography during scheduled work hours.
(I13TC001: (b)(6),(b)(7)(C))

RECOVERY ACT EFFORTS

- On February 19, 2014, SA (b)(6),(b)(7)(C) and ASAC (b)(6),(b)(7)(C) provided a Fraud Awareness Briefing to the Albuquerque NNSA Office of Procurement. The audience included contractors and Department managers.

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.

JOYS, CARES, CONCERNS

- Congratulations to SA (b)(6),(b)(7)(C) on the birth of their (b)(6),(b)(7)(C) was born on (b)(6),(b)(7)(C) 2014.
- Many thanks to all who donated to the Combined Federal Campaign this year. The closing celebration was held at Headquarters on February 18, 2014, and the OIG received the President's Award and the 100% of Goal Award.
- Best wishes to SA (b)(6),(b)(7)(C) who retires today after 23 years of dedicated service.

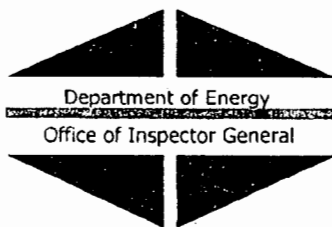
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The on-site inspection for the Washington, DC portion of the Peer Review has been scheduled for April 14 – April 17, 2014. A second location and date have not yet been determined.

- Midterm Progress Reviews must be finalized in ePerformance by March 28, 2014.
- The standard operating procedures (SOP) for requesting WiFi Hotspot Device activation were recently provided to each office and have been uploaded to IGComm. The SOP can be found at <https://igcomm.doe.gov/node/71/>.
- The February 2014 version of the OI Policy Manual Chapter 18 has been uploaded to IGCOMM. Chapter 18 can be found at <https://igcomm.doe.gov/policy/investigations-manual>.
- OI now has access to the FBI Virtual Training Academy, which serves as a portal to all FBI training opportunities offered to its external partners. Any personnel interested in obtaining access should contact SA (b)(6), (b)(7)(C) for registration procedures.

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending February 28, 2014

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SIGNIFICANT ACTIVITY

- **Criminal Information Filed in North Carolina Weatherization Assistance Program Investigation**

On February 25, 2014, a Criminal Information was filed in the U.S. District Court for the Middle District of North Carolina, charging a relative of a former Weatherization Assistance Program (WAP) Director at a local community action agency with conspiracy to commit theft or bribery concerning programs receiving Federal funds. The investigation determined that the relative created a fictitious company in an effort to both disguise the relationship to the Director and to give an appearance of performing business as a legal enterprise. The Director selected the fictitious company for a contract to perform WAP work, and the relative paid the Director monetary kickbacks in excess of \$300,000. Although the contractor company was paid in excess of \$900,000 to perform the WAP work, the investigation determined they performed approximately \$400,000 of actual legitimate work. As previously reported, the Director was charged, pled guilty, and is currently awaiting sentencing.

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(112SR004: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	223
Cases Opened This Week	3
Cases Closed This Week	1
Total Open Cases for this Ending Date	225
Cases in Hold Status	0
Cases Pending Closure/Action	3
ICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	59
Hotline Complaints Predicated	6
Referral Letters Issued	16
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to an OIG referral, a senior official from the Southwestern Power Administration (SWPA) was counseled and required to retake the Department Cyber Security Training. This action followed allegations that the senior official shared (b)(6), (b)(7)(C) login credentials for two computer systems, Govtrip and Oracle Federal Financial Management System (FFMS). The SWPA review substantiated that the official shared (b)(6), (b)(7)(C) login credentials for Govtrip, but could not substantiate the allegations involving FFMS. (14RS010: (b)(6), (b)(7)(C))

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.

JOYS, CARES, CONCERNS

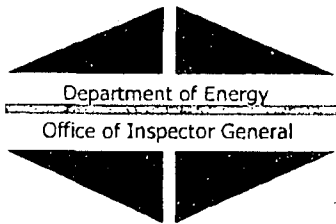
- Congratulations to ASAC (b)(6), (b)(7)(C) for being awarded Community Coach of the Year by (b)(6), (b)(7)(C) Athletic Association. ASAC (b)(6), (b)(7)(C) was presented with (b)(6), (b)(7)(C) award at halftime during the Washington Wizards game.
- Welcome to (b)(6), (b)(7)(C) who began as a Secretary in Washington, D.C., on February 24, 2014. (b)(6), (b)(7)(C) will be on the Policy, Plans, and Programs staff, but will also support the Hotline, Technology Crimes Section, and Region 1. (b)(6), (b)(7)(C) office is (b)(6), (b)(7)(C) on the 8th floor of Forrestal South with Region 1, so please stop by and welcome (b)(6), (b)(7)(C) when you have an opportunity.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Midterm Progress Reviews must be finalized in ePerformance by March 28, 2014.
- The Denver Office has a new mailing address for packages. Items should now be sent to: 15013 Denver West Parkway, Golden, CO 80401.

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WEEKLY ACTIVITY REPORT

Ending March 7, 2014

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SIGNIFICANT ACTIVITY

1. Response to Investigative Report to Management Issued in Misuse of Position Case

On February 21, 2014, Principal Deputy Chief for Mission Support Operations, Office of Health, Safety and Security, issued a response to an Investigative Report to Management (IRM) involving misuse of position by a Department manager. The Principal Deputy Chief issued a formal letter of reprimand to the Department manager, imposing a seven day suspension. As previously reported, the investigation determined the Department manager misused (b)(6), (b)(7) position in facilitating the employment of a family friend with a Department contractor.
(113HQ008: (b)(6), (b)(7)(C))

2. IRM Issued in Savannah River Site Investigation

On February 21, 2014, an IRM was issued to the Office of Procurement and Assistance Management recommending suspension and debarment action against a former subcontractor employee. The investigation determined the former employee provided false personal identifiers to obtain a Savannah River Site security badge. As previously reported, the former subcontractor pled guilty to false statements and was sentenced to three years of probation. The investigation was coordinated with the U.S. Attorney's Office for the District of South Carolina. (112SR011: (b)(6), (b)(7)(C))

3. Debarment Action in Investigation Involving Embezzlement of Recovery Act Funds

On February 25, 2014, a former Finance Director for a Louisiana non-profit agency was debarred from Government contracting. As previously reported, the former Finance Director pleaded guilty and was subsequently sentenced to 12 months and one day imprisonment and 12 months supervised release for embezzling more than \$50,000 in Federal funds. The non-profit agency received funding from the Department and the Department of Health and Human Services for weatherization and software training. The investigation determined the former Finance Director used the funds for gambling and personal expenditures. (12CH004: (b)(6), (b)(7)(C))

This document is for ~~OFFICIAL USE ONLY~~. Public disclosure is determined by the Freedom of Information Act (Title 5, U.S.C., Section 552) and the Privacy Act (Title 5, U.S.C., Section 552a).

4. IRM Issued in American Recovery and Reinvestment Act Grant Fraud Investigation

On February, 28, 2014, an IRM was issued to the Manager of the Department's Financial Evaluation and Accountability Division. The IRM related to [redacted] County (b)(6),(b)(7)(C) Missouri, which received a \$378,500 Energy Efficiency and Conservation Block Grant (Grant) pursuant to the American Recovery and Reinvestment Act of 2009. The investigation determined [redacted] County officials did not follow Federal or State of Missouri procurement regulations when contracting for work performed under the Grant [redacted] County paid the subcontractor over \$313,000 for procurements and work effort under the Grant, but did not require the subcontractor to present supporting documentation or justification for payment. The IRM's recommendations included determining whether an audit is warranted for the Grant and then determining whether any questioned costs identified by an audit are allowable. The case is ongoing. (I11AL022: [redacted] (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	225
Cases Opened This Week	1
Cases Closed This Week	2
Total Open Cases for this Ending Date	224
Cases in Hold Status	0
Cases Pending Closure/Action	3
TICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	30
Hotline Complaints Predicated	17
Referral Letters Issued	4
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Case Management Tracking System (CMTS). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIGEIGPT@hq.doe.gov.

JOYS, CARES, CONCERNS

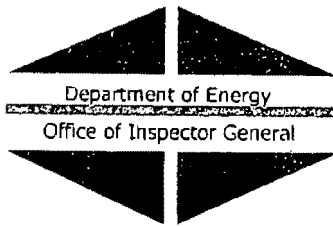
- Daylight Savings Time begins on Sunday, March 9, 2014. Please remember to set your clocks ahead 1 hour Saturday night.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Midterm Progress Reviews must be finalized in ePerformance by March 28, 2014.
- We are planning a national training event for OI Special Agents and Analysts for May 13 – 15, 2014, in Kansas City, MO. Suggestions for agenda items should be submitted to SA (b)(6), (b)(7)(C). Do not make travel arrangements until directed to do so.
- The new web-based evidence tracking system (TRACKER) is scheduled to go live on Monday, March 10, 2014. Many thanks to ASAC (b)(6), (b)(7)(C) for leading the group of subject matter experts who proposed this system and to SA (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) hard work in adapting the system for our use.

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WEEKLY ACTIVITY REPORT

Ending March 14, 2014

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SIGNIFICANT ACTIVITY

- **Sentencing in North Carolina Weatherization Assistance Program Investigation**

On March 11, 2014, a former Director of the Weatherization Assistance Program (WAP) for a local community action agency was sentenced in the U.S. District Court for the Middle District of North Carolina to serve 24 months confinement and 3 years supervised release and ordered to pay \$386,291.50 in restitution. As previously reported, the investigation determined that the former Director received monetary kickbacks in excess of \$300,000 from the Director's relatives, who presented themselves as local contractors to be selected by the Director for the WAP work. One of these relatives had created a company to disguise their relationship to the Director and give an appearance of performing business as a legal enterprise. The relative was charged with conspiracy related charges in this matter and is currently awaiting a plea reversal hearing. (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(112SR004: (b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	224
Cases Opened This Week	1
Cases Closed This Week	2
Total Open Cases for this Ending Date	223
Cases in Hold Status	0
Cases Pending Closure/Action	3
TOS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	18
Hotline Complaints Predicated	3
Referral Letters Issued	6
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- On March 11 and 13, 2014, SAs (b)(6), (b)(7)(C) conducted two Fraud Awareness Briefings for 25 Security Office employees at the SLAC National Laboratory. The briefing focused on fraud indicators, types of fraud investigations, and reporting procedures.

OTHER MATTERS

- EIGPT is scheduled to be decommissioned on March 31, 2014. Soon thereafter, we will begin using the Investigations Paperless Records and Information Systems Manager (iPRISM). All questions and concerns regarding this conversion from EIGPT to the new system should be sent to OIG_EIGPT@hq.doe.gov.
- All personnel who will be incurring costs to attend the iPrism training are required to complete a CHRIS training request.

JOYS, CARES, CONCERNS

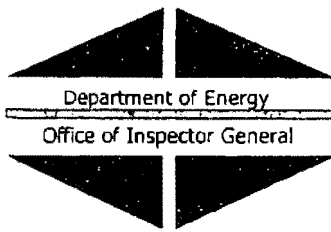
- Welcome to (b)(6), (b)(7)(C) who joined us this week as (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) for the Hotline and Analysis Section. (b)(6), (b)(7)(C) phone number is 202-586-(b)(6), (b)(7)(C).
- Also this week, Region 1 Investigations welcomed SA (b)(6), (b)(7)(C) who joined their staff from the Hotline and Analysis Section.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Midterm Progress Reviews must be finalized in ePerformance by March 28, 2014.
- The new web-based evidence tracking system (TRACKER) went live on Monday, March 10, 2014. Please consult with your supervisor or evidence custodian for additional if you have any questions.

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending March 21, 2014

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SIGNIFICANT ACTIVITY

1. Sentencing in Child Pornography Investigation

On March 20, 2014, a former Lawrence Berkeley National Laboratory employee was sentenced in U.S. District Court in the Northern District of California to 10 years of incarceration followed by 10 years of supervised release for downloading and viewing child pornography. As previously reported, the former employee viewed and downloaded numerous images of child pornography onto [redacted] Department-issued computer. A search warrant at [redacted] residence resulted in the discovery of a larger child pornography collection. On September 19, 2013, a jury convicted the former employee, a previously convicted and registered sex offender, of possessing and accessing child pornography with the intent to view. (110TC006: [redacted])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

2. Defendant Sentenced in OIG Bribery Case

On March 6, 2014, a former Department contractor employee was sentenced in U.S. District Court in the District of Minnesota to 3 years of probation and ordered to forfeit \$20,000 as a result of the conviction. As previously reported, the former employee received cash bribes from subcontractors in Taiwan who were working on a National Nuclear Security Administration project, and [redacted] transported as much as \$70,000 in cash back to the United States without declaring it to Customs and Border Protection. The former Department contractor employee pled guilty on November 6, 2012, to one count of bulk cash smuggling. (111PT001: [redacted])

(b)(6), (b)(7)(C)

3. Investigative Report to Management Issued in Computer Misuse Investigation

On March 19, 2014, an Investigative Report to Management (IRM) was issued to the Chief Operating Officer for the National Energy Technology Laboratory (NETL) recommending NETL determine whether an employee's use of their Government computer and email account violated Department policy and whether administrative action is warranted. A review of the NETL employee's email account during an unrelated investigation uncovered indications that the NETL employee used their Government computer and email account while on duty to send and receive emails related to paid outside employment. (113PT008: [redacted])

(b)(6), (b)(7)(C)

4. IRM Issued in Berkeley Site Office Investigation

On March, 19, 2014, an IRM was issued to the Site Office Manager for the Lawrence Berkeley National Laboratory (Laboratory). (b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(112LL008: (b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	223
Cases Opened This Week	2
Cases Closed This Week	2
Total Open Cases for this Ending Date	223
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	20
Hotline Complaints Predicated	8
Referral Letters Issued	4
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to a Hotline referral, the National Nuclear Security Administration conducted a full-scale review of the Y-12 National Security Complex Fire Department. This review resulted in 3 findings, 5 weaknesses, and 3 areas to improve. A follow-up review concluded that Y-12 is actively addressing all issues through corrective action plans, and improvements are seen in all areas of concern previously identified. (113RS024: (b)(6),(b)(7)(C)

BRIEFINGS AND RECOVERY ACT EFFORTS

- On March 18, 2014, SAs (b)(6), (b)(7)(C) conducted a Fraud Awareness Briefing for 25 Excess Property personnel at the Lawrence Berkeley National Laboratory. The briefing focused on fraud indicators, types of fraud investigations, and reporting procedures.
- On March 20, 2014, SA (b)(6), (b)(7)(C) conducted three fraud awareness briefings for 47 Federal and contractor employees. The audience included staff members of the Portsmouth Paducah Project Office and a prime contractor in Lexington, Kentucky, and off-site staff in Portsmouth, Ohio, and Paducah, Kentucky. The briefings focused on fraud indicators, types of fraud investigations, Technical Crimes Section capabilities, and the Recovery Act.
- On March 20, 2014, SAs (b)(6), (b)(7)(C) conducted a Fraud Awareness Briefing for project management, technical, and procurement staff of the Clemson University Restoration Institute, Energy Systems Innovation Center (EIC), Charleston, South Carolina. The Department awarded the EIC a \$45 million grant, the largest Federal grant ever awarded to Clemson University. Fourteen EIC staff members attended the briefing, which focused on fraud indicators, types of fraud investigations, and reporting procedures.

OTHER MATTERS

- Newly designed Hotline posters were distributed to each office this week. Requests for additional posters should be submitted (b)(6), (b)(7)(C). The new design represents the efforts of (b)(6), (b)(7)(C) and Assistant Special Agent-in-Charge (b)(6), (b)(7)(C).
- All personnel who will be incurring costs to attend the iPRISM training are required to complete a CHRIS training request.
- The reporting period for the upcoming OIG Semi-Annual Report is coming to a close very soon. Please ensure all reportable statistics have been entered into EIGPT.

JOYS, CARES, CONCERNS

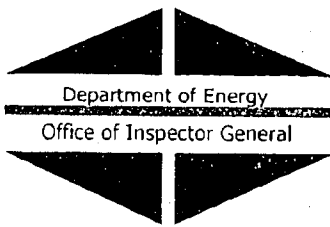
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The OI Professional Development Seminar scheduled for May 13 – 15, 2014 in Kansas City, Missouri, has received final approval. Additional guidance regarding travel arrangements and an agenda will be forthcoming. An OIG-wide Seminar for all Administrative staff is in the planning stages.

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WEEKLY ACTIVITY REPORT

Ending March 28, 2014

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SIGNIFICANT ACTIVITY

- None

CASE INVENTORY

Total Open Cases as of Previous Ending Date	223
Cases Opened This Week	0
Cases Closed This Week	6
Total Open Cases for this Ending Date	217
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	27
Hotline Complaints Predicated	3
Referral Letters Issued	0
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- As a reminder, EIGPT will now be left operational until April 4, 2014. All pertinent case information should be entered by this date.
- The reporting period for the upcoming OIG Semi-Annual Report is coming to a close very soon. Please ensure all reportable statistics have been entered into EIGPT.
- The OI realignment goes into effect next week. New organizational maps and charts will be posted on IGComm Tuesday, April 1, 2014.

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the 2014 Annual Cyber Security Awareness Course no later than June 20, 2014. To access the course, logon to OLC and search for "2014 Annual Cyber Security Awareness."
- All Financial Crimes Enforcement Network (FinCEN) users are reminded that FinCEN strictly prohibits any unauthorized access or misuse of Bank Secrecy Act (BSA) data. Please ensure you are taking the necessary steps to safeguard BSA data and to uphold the confidentiality requirements associated with suspicious activity reporting. The FinCEN policy is available on IGCOMM at the following link: <https://igcomm.doe.gov/policy/investigations-manual>.
- All personnel attending the Professional Development Seminar in Kansas City must submit a training request in CHRIS. A sample request was distributed to ASACs this week.
- All personnel who will be incurring travel costs to attend the iPRISM training are required to complete a CHRIS training request.

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WEEKLY ACTIVITY REPORT

Ending April 4, 2014

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SIGNIFICANT ACTIVITY

- **Response to Investigative Report to Management in Recovery Act Grant Fraud Investigation**

(b)(6),(b)(7)(A),
(b)(7)(C) On March, 28, 2014, in response to an Investigative Report to Management, the Manager of the Department's Financial Evaluation and Accountability Division (Division) conducted a review of [redacted] County Missouri's administration of a \$378,500 Recovery Act Energy Efficiency and Conservation Block Grant. The Division substantiated that [redacted] County officials did not follow Federal or State of Missouri procurement regulations when contracting for work performed under the grant and questioned \$288,395 of grant costs. (b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(111AL022: [redacted])

CASE INVENTORY

Total Open Cases as of Previous Ending Date	217
Cases Opened This Week	1
Cases Closed This Week	14
Total Open Cases for this Ending Date	214
Cases in Hold Status	0
Cases Pending Closure/Action	3
TICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	29
Hotline Complaints Predicated	9
Referral Letters Issued	12
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The new Online Complaint Form is now available on the OIG's public webpage: www.energy.gov/ig (under Contact the Hotline). The finished product reflects a team effort by ASAC (b)(6), (b)(7)(C) Special Agent (b)(6), (b)(7)(C)

JOYS, CARES, CONCERNS

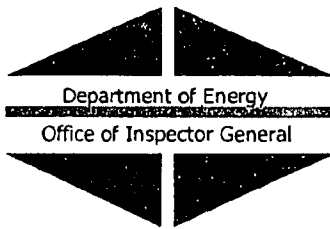
- Condolences to ASAC (b)(6), (b)(7)(C) family on the passing of ASAC (b)(6), (b)(7)(C) grandmother.

INVESTIGATIVE SUPPORT UPDATES

- All personnel must complete the 2014 Annual Cyber Security Awareness Course no later than June 20, 2014. To access the course, logon to OLC and search for "2014 Annual Cyber Security Awareness."
- The OI realignment went into effect this week. Various databases including CHRIS, ATAAPS, and Concur are all impacted by this realignment. Your patience is appreciated while these changes to these systems are enacted.
- All personnel are reminded of their responsibility to submit accurate timesheets to their timekeeper by the time specified by the timekeeper or SAC. Leave claimed on timesheets must mirror approved leave requests in CHRIS. Telework hours claimed on timesheets must be identified as telework hours.

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WEEKLY ACTIVITY REPORT

Ending April 11, 2014

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SIGNIFICANT ACTIVITY

- **Investigative Report to Management Issued in Kickback Fraud Investigation**

On April 4, 2014, an Investigative Report to Management was issued to the National Nuclear Security Administration's Deputy Associate Administrator of Acquisition and Project Management, recommending suspension and debarment of a former Bechtel SAIC, LLC (Bechtel) employee and several others not affiliated with the Department and their companies. As previously reported, the former Bechtel employee and another individual not affiliated with the Department pled guilty and were sentenced to 5 months incarceration and 2 years of probation, respectively, and ordered to jointly pay \$42,127.08 in restitution. The investigation determined both individuals engaged in kickback fraud scheme for personal gain. The United States Attorney's Office for the Northern District of Indiana entered into a settlement agreement with Bechtel, who agreed to pay the Federal Government \$209,308.00 to settle civil proceedings. This is a joint investigation (b)(6), (b)(7)(C) (IO8LV003: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	0
Cases Closed This Week	0
Total Open Cases for this Ending Date	213
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	46

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	11/11/2014
Hotline Complaints Predicated	7
Referral Letters Issued	1
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to a Hotline referral, the Richland Operations Office found the process used by a contractor company to determine the extent of vehicle repairs was questionable. As a result of the referral and subsequent inquiry, the company changed its process to obtain prior approval from its customers before performing work that may be deemed excessive. (I13RS031: (b)(6),(b)(7)(C))

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The final iPRISM training session took place this week. Special thanks to the Wingswept implementation team and SA (b)(6),(b)(7)(C) for facilitating the training and to Assistant Special Agent-in-Charge (b)(6),(b)(7)(C) for their assistance. Please remember to take the post-training survey online at this link: <https://www.surveymonkey.com/s/BPLK3K6>.

JOYS, CARES, CONCERNS

- None

INVESTIGATIVE SUPPORT UPDATES

- All personnel must complete the 2014 DOE Harassment Prevention Training Course no later than **May 5, 2014**. To access the course, logon to OLC and search for "2014 DOE Harassment Prevention."
- All personnel must complete the 2014 Annual Cyber Security Awareness Course no later than **June 20, 2014**. To access the course, logon to OLC and search for "2014 Annual Cyber Security Awareness."

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WEEKLY ACTIVITY REPORT

Ending April 18, 2014

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SIGNIFICANT ACTIVITY

1. Two Former Contractor Employees Suspended in Embezzlement Investigation

On April 14, 2014, in response to an Investigative Report to Management (IRM), the Office of Acquisition and Project Management notified the OIG of the suspension and proposed debarment of two former contractor employees from doing business with the Federal Government for a period of 3 years. As previously reported, the investigation determined the former employees embezzled funds from a Department contractor by billing unauthorized international telephone calls and improperly crediting repayment of employee advance loans. This is a joint investigation with the

(b)(6), (b)(7)(C)

(1111F004: (b)(6), (b)(7)(C)

2. Former Contractor Employee Suspended in False Timecard Investigation

On April 14, 2014, in response to an IRM, the Office of Acquisition and Project Management notified the OIG of the suspension and proposed debarment of a former contractor employee from doing business with the Federal Government for a period of 3 years. The suspension was issued after the former employee pled guilty to one count of conspiracy to violate the Anti-Kickback Act. The former employee's plea agreement (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

Sentencing is scheduled for August 21, 2014. As previously reported, the investigation determined extensive timecard fraud by contractor employees and their management.

(108RL007: (b)(6), (b)(7)(C)

3. Plea Agreement in North Carolina Weatherization Assistance Program Investigation

On April 7, 2014, a relative of a former Weatherization Assistance Program (WAP) Director at a local community action agency pled guilty in the U.S. District Court for the Middle District of North Carolina to conspiracy to commit theft or bribery concerning programs receiving Federal funds.

The investigation determined the relative created a fictitious company in an effort to both disguise the relationship to the Director and to give an appearance of performing business as a legal enterprise. The Director selected the relative's company to perform the WAP work, and through this company, the relative paid the Director monetary kickbacks in excess of \$300,000. As previously reported, the Director has been sentenced for [redacted] role in this scheme. This is a joint investigation with the [redacted]

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(112SR004:

(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	0
Cases Closed This Week	0
Total Open Cases for this Ending Date	213
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	39
Hotline Complaints Predicated	14
Referral Letters Issued	5
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The iPrism Newsletter was sent out on Thursday. Please review it, and contact SA [redacted] if you have any questions or concerns.

(b)(6),(b)(7)(C)

JOYS, CARES, CONCERNS

- None

INVESTIGATIVE SUPPORT UPDATES

- All personnel attending the Professional Development Seminar are required to complete the DISC assessment by close of business April 25, 2014. To access the assessment, visit the website www.competitiveedgeinc.com and use the response link (b)(6), (b)(7)(C) Contact SA (b)(6), (b)(7)(C) if you have any concerns.
- The CIGIE Peer Review's on-site inspections for Regions 1 and 4 are scheduled for the week of April 28, 2014.

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WEEKLY ACTIVITY REPORT

Ending April 25, 2014

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management Issued in Trespass Investigation

On April 21, 2014, an Investigative Report to Management (IRM) was issued to the Manager of the Berkeley Site Office recommending a review of Oakland Scientific Facility (Facility) security surveys prepared by the University of California Police Department (UCPD). The IRM also recommended that the Berkeley Site Office implement appropriate physical security measures at the Facility, which houses the Lawrence Berkeley National Laboratory's National Energy Research Scientific Computing Center, including the approximate \$40.7 million NERSC Cray XC30 Supercomputer "Edison" (Computer). On February 11, 2014, an unknown subject trespassed into (b)(7)(E) OSF and (b)(7)(E)

(b)(7)(E) causing the computer to overheat and shut down.

It is unknown at this time if the Computer suffered any permanent damage. During the investigation, it was discovered that in October 2013 and March 2014, UCPD had conducted security surveys which offered recommendations to improve OSF physical security but the recommendations had not been implemented. This is a joint investigation with (b)(6), (b)(7)(C) (114LL006:

(b)(6), (b)(7)(C)

2. Former Savannah River Site Contactor Suspended

On April 22, 2014, in response to an IRM, the OIG received notification from the Office of Procurement and Assistance Management that a former contractor employee at the Savannah River Site had been suspended from doing business with the Federal Government. As previously reported, the former contractor was sentenced to three years of probation after pleading guilty to one count of false statements. The investigation determined the former contractor employee provided false personal identifiers to obtain a Savannah River Site badge in order to gain entry into the site. (112SR011: (b)(6), (b)(7)(C)

3. Interim Investigative Report to Management Issued In Weatherization Assistance Program Fraud Investigation

On April 24, 2014, an interim IRM was issued to the Assistant Secretary, Office of Energy Efficiency and Renewable Energy, and the Deputy Director, Acquisition and Project Management, making two recommendations for corrective action. (b)(6), (b)(7)(A), (b)(7)(C)

(b)(6), (b)(7)(A), (b)(7)(C)
(b)(6), (b)(7)(A), (b)(7)(C)
(I13HQ015: (b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	0
Cases Closed This Week	0
Total Open Cases for this Ending Date	213
Cases in Hold Status	0
Cases Pending Closure/Action	3
ICS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	42
Hotline Complaints Predicated	11
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- All personnel need to read and sign the Rules of Behavior for iPRISM. Return the signed form to (b)(6), (b)(7)(C) by COB April 28, 2014.

JOYS, CARES, CONCERNS

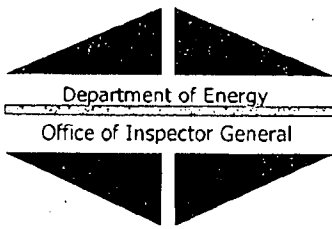
- We send our best wishes to (b)(6),(b)(7)(C) Inspector General for (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) retires. (b)(6),(b)(7)(C) last day with the DOE OIG is April 30, 2014.

INVESTIGATIVE SUPPORT UPDATES

- All personnel must complete the 2014 DOE Harassment Prevention Training Course no later than **May 5, 2014**. To access the course, logon to OLC and search for "2014 DOE Harassment Prevention."
- The following OI personnel have access to Lexis Nexis: SA (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) Please contact either of these individuals for further assistance.
- The CIGIE Peer Review's on-site inspections for Regions 1 and 4 are scheduled for the week of April 28, 2014.
- Chest x-rays will no longer be a part of our required medical exam process. Neither the Department nor Federal Occupational Health (FOH) requires a chest x-ray. Should you be told it is a requirement by FOH personnel, please bring it to the attention of (b)(6),(b)(7)(C) Inspector General for (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) so clarification can be provided.

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WEEKLY ACTIVITY REPORT

Ending May 2, 2014

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SIGNIFICANT ACTIVITY

1. Department Grant Recipients Indicted

On April 24, 2014, two University of Houston professors were indicted by a Federal Grand Jury in the Southern District of Texas for submitting false documentation to obtain approximately \$1.3 million in Small Business Innovation Research (SBIR) grants from the Department, the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), and the US Air Force. The estimated loss to the Department is \$100,000. From 2008 through 2013, the professors used false and fraudulent letters of support, along with false claims regarding the facilities, equipment, and materials to be used to conduct research in their applications for SBIR funds. (b)(6), (b)(7)(C)

(b)(6), (b)(7)(A), (b)(7)(C)

(I12AL010: (b)(6), (b)(7)(C)

2. Subcontractor, Owner, and Former State Official Suspended and Proposed Debarred by the Department

On April 28, 2014, the OIG learned that in response to an Investigative Report to Management, the Office of Acquisition and Project Management suspended and issued a notice of proposed three year debarment to a former Department subcontractor company, the company owner, and a former State of Texas Grant Administrator. The investigation determined the owner and the former State of Texas official conspired to submit fraudulent documents and make false claims to the Department to obtain approximately \$2 million in American Reinvestment and Recovery Act funds. The former State of Texas official was sentenced to serve three years of deferred adjudication probation, ordered to pay \$2,500 in restitution, cannot be employed in a position that manages grant funds, and cannot have contact with the other defendant in this investigation. The owner was found guilty of one count of fraud and other weapons violations stemming from this investigation and is currently serving a 15 year Federal sentence. (I11AL015: (b)(6), (b)(7)(C)

3. Search and Seizure Warrant for Electronic Media

(b)(6), (b)(7)(A), (b)(7)(C)	
(b)(6), (b)(7)(A), (b)(7)(C)	(114TC006: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	0
Cases Closed This Week	0
Total Open Cases for this Ending Date	213
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	9

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	31
Hotline Complaints Predicated	12
Referral Letters Issued	4
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to a Hotline referral regarding premium travel irregularities, the NASA OIG initiated an audit of NASA's premium travel. (114RR057: (b)(6), (b)(7)(C))

BRIEFINGS AND RECOVERY ACT EFFORTS

- On April 29, 2014, SA (b)(6), (b)(7)(C) conducted two Fraud Awareness Briefings for 45 Quality Assurance employees and managers at the Pantex Plant in Amarillo, Texas. The audience included both M&O contractors and the National Nuclear Security Administration Quality Assurance Manager. The briefings focused on suspect counterfeit matters and reporting procedures.

OTHER MATTERS

- When opening a new case, all agents are encouraged to visit the Reports section of the OIG website (<http://www.energy.gov/ig/calendar-year-reports>) to identify past Audit and Inspection reports that may provide background or information beneficial to the investigation. The reports can be found by calendar year or by topic.

JOYS, CARES, CONCERNS

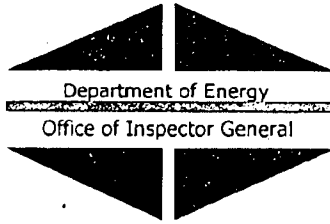
- None

INVESTIGATIVE SUPPORT UPDATES

- All personnel must complete the 2014 DOE Harassment Prevention Training Course no later than **May 19, 2014**. To access the course, logon to OLC and search for "2014 DOE Harassment Prevention."
- All personnel are encouraged to utilize Sector Communication Services during our pilot program, which runs through August 15, 2014. In order to adequately evaluate whether to continue utilizing Sector, we will need your feedback. All requests must be submitted through one of the following Authorized Users: SAs (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C).
(b)(6), (b)(7)(C)
(b)(6), (b)(7)(C)
- The Second Progress Review for FY14 must be finalized in ePerformance by June 30, 2014.

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WEEKLY ACTIVITY REPORT

Ending May 9, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for use by Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Allegations Summary in the iPRISM system.

SIGNIFICANT ACTIVITY

1. Federal Grand Jury Indicts Former Contractor Employee in Per Diem Fraud Investigation

On May 6, 2014, a Federal Grand Jury in the District of South Carolina indicted a former contractor employee on one count of Theft of Government Funds and two counts of False Statements. As previously reported, the investigation determined the former contractor employee fraudulently received over \$29,000 in per diem benefits by falsifying per diem eligibility certifications. (12-0106-I: (b)(6),(b)(7)(C))

2. Action Taken in Response to an Investigative Report to Management in Computer Misuse Investigation

On May 2, 2014, the Acting Director of the National Energy Technology Laboratory (NETL) issued a response to an Investigative Report to Management (IRM), which made two recommendations for corrective action related to the misuse of a Government computer and email account by an employee. The Acting Director complied with both recommendations and proposed a one-day suspension without pay and additional ethics training for the employee. As previously reported, a review of the NETL employee's email account during an unrelated investigation revealed that they used their Government computer and email account while on duty to send and receive emails related to paid outside employment. (13-0096-I: (b)(6),(b)(7)(C))

3. Investigative Report to Management Issued in False Claims Investigation

On May 5, 2014, an IRM was issued to the Manager of the Los Alamos Field Office (LAFO). The IRM highlighted a specific example of double billing of lodging expenses to the Government and called attention to potentially broader issues of inadequate oversight and noncompliance with Government regulations by Los Alamos National Security (LANS). The investigation determined LANS double billed the Government for lodging expenses for a (b)(6),(b)(7)(C) who both separately submitted the same lease agreement to obtain full individual reimbursements for lodging expenses at their shared residence. The IRM made five recommendations, to include determining whether LAFO should initiate action to recover \$28,650 in

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unallowable lodging expenses from LANS; require LANS to modify internal policies to appropriately administer requests for duplicate expenses; require all LANS and subcontract employees to notify LANS when lodging and relocation arrangements are shared among employees receiving Government funds; and ensure LANS policies are in compliance with appropriate Government travel and relocation regulations. (09-0014-I: [REDACTED])

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	0
Cases Closed This Week	0
Total Open Cases for this Ending Date	213
Cases in Hold Status	0
Cases Pending Closure/Action	0
ICS Case Support	9

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	24
Hotline Complaints Predicated	8
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- On 7 May, 2014, SA [REDACTED] conducted a Fraud Awareness Briefing for 30 senior managers of the Federal Energy Regulatory Commission in Washington, DC. SA [REDACTED] discussed program fraud indicators, ethical issues, and the OIG complaint and referral process.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

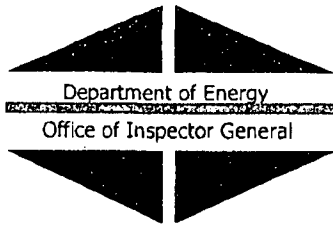
- None

INVESTIGATIVE SUPPORT UPDATES

- All personnel must complete the 2014 DOE Harassment Prevention Training Course no later than **May 19, 2014**. To access the course, logon to OLC and search for "2014 DOE Harassment Prevention."
- All personnel are encouraged to utilize Sector Communication Services during our pilot program, which runs through August 15, 2014. In order to adequately evaluate whether to continue utilizing Sector, we will need your feedback. All requests must be submitted through one of the following Authorized Users: SAs (b)(6), (b)(7)(C) [redacted]
(b)(6), (b)(7)(C) [redacted]
and (b)(6), (b)(7)(C) [redacted]
- The Second Progress Review for FY14 must be finalized in ePerformance by June 30, 2014.

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending May 23, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for use by Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Allegations Summary in the iPRISM system.

SIGNIFICANT ACTIVITY

1.

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(11-0087-I: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

2. Recovery in Embezzlement Case

On May 15, 2014, the Department took administrative action by demanding and receiving \$138,848.40 in disallowed costs from the State of California's Department of Community Services and Development (CSD). The Department funded CSD under the Weatherization Assistance Program as a part of the American Recovery and Reinvestment Act of 2009. The investigation determined that a CSD sub-grant recipient's employee embezzled these monies, which were provided to the grant recipient. The employee pled guilty to a misdemeanor charge of forging documents. This is a joint investigation with the Del Norte District Attorney's Office and Health and Human Services OIG. (11-0081-I: (b)(6),(b)(7)(C)

3. Suspension Action in Investigation Involving Theft of Government Property/Program Fraud

On April 14, 2014, the Deputy Director, Office of Acquisition and Project Management, suspended three former West Virginia University (WVU) employees. The investigation determined that a WVU professor and two other WVU employees used grant monies for personal expenses. This case is being coordinated with the United States Attorney's Office, Northern District of West Virginia, and was accepted for criminal prosecution.

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C) (12-0101-I: (b)(6),(b)(7)(C)

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4. Administrative Action Taken in Conflict of Interest Investigation

On May 21, 2014, the OIG was informed that a Department sub-grantee suspended its Director for Community and Energy Services for fifteen working days without pay after being made aware that the Director violated agency policy with regard to Conflict of Interest. As previously reported, the Director was prohibited from exercising any authority over Weatherization Assistance Program (WAP) inspection work after the OIG investigation determined the spouse and other family members of the Director were awarded extensive WAP inspection work. (b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),
(b)(7)(C)

(11-0024-I: (b)(6),(b)(7)(C)

5. Administrative Action Taken in Recovery Act Weatherization Fraud Investigation

On May 19, 2014, the State of Michigan's Department of Human Services (DHS) issued a letter to a Community Action Agency (CAA) sub-recipient notifying them of their termination from the Department's Weatherization Assistance Program. As previously reported, DHS issued the CAA a corrective action plan which demanded the return of \$186,934.99 in Department WAP and Recovery Act WAP funds. The OIG investigation determined that the CAA improperly awarded a sole-source WAP consultant contract, and paid unauthorized employee bonuses that did not benefit the Department. (b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

0093-I: (b)(6),(b)(7)(C)

(12-

6. Suspension Action in Investigation Involving Misuse of Weatherization Funds

On May 15, 2014, in response to an IRM, The Office of Acquisition and Project Management suspended and proposed debarment for a former Executive Director of a Community Action Agency (CAA) in (b)(6),(b)(7)(C) As previously reported, the

(b)(6),(b)(7)(A),(b)(7)(C)

(b)(6),(b)(7)(A),(b)(7)(C)

(13-0040-I: (b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	6
Cases Closed This Week	2
Total Open Cases for this Ending Date	217
Cases in Hold Status	0
Cases Pending Closure/Action	0
UICS Case Support	9

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	43
Hotline Complaints Predicated	8
Referral Letters Issued	7
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Thanks to a suggestion from the Special Agent Advisory Committee, the Office of Investigations is initiating a Wellness Program for its criminal investigators. An agency Wellness Coordinator will be selected by the Assistant Inspector General for Investigations. This Coordinator will serve as a resource to help agents develop and maintain a healthy lifestyle.
- The next Special Agent Advisory Committee meeting is being held May 28, 2014. Please contact your regional representatives to pose questions and present suggestions for organizational improvements.

JOYS, CARES, CONCERNS

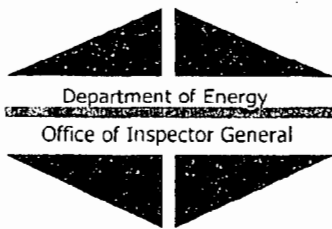
- None

INVESTIGATIVE SUPPORT UPDATES

- The Second Progress Review for FY14 must be finalized in ePerformance by June 30, 2014.

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WEEKLY ACTIVITY REPORT

Ending May 30, 2014

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SIGNIFICANT ACTIVITY

1. Subject Arrested for Attempted Extortion

On May 23, 2014, in response to a complaint filed by the Y-12 Office of Public Affairs, an individual with no Department affiliation was arrested for attempting to extort money from the Government. On May 8, 2014, the individual sent an email to Y-12 indicating he had acquired approximately 1200 photos and slides that depicted local farms and farm animals being subjected to nuclear bomb and chemical testing. During several consensually monitored telephone calls and undercover activities, the individual indicated he wanted to be paid \$5 million for the photos. If payment was not received, the individual would release the photos to the media in a manner intended to be harmful to the Department. The investigation is ongoing and was coordinated with the U.S. Attorney's Office for the Eastern District of Tennessee. (14-067-I: (b)(6);(b)(7)(C))

2. Department Contractor Employee Terminated in Property Theft Investigation

On May 22, 2014, the OIG was informed that pursuant to information derived from an OIG investigation, a SLAC National Accelerator Laboratory contractor employee was terminated for cause on May 9, 2014. (b)(6);(b)(7)(A);(b)(7)(C)

(b)(6);(b)(7)(A);(b)(7)(C)
(b)(6);(b)(7)(A);(b)(7)(C) (14-0020-I: (b)(6);(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	242
Cases Opened This Week	2
Cases Closed This Week	0
Total Open Cases for this Ending Date	244
Cases in Hold Status	0
Cases Pending Closure/Action	0
TCS Case Support	9

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HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	32
Hotline Complaints Predicated	9
Referral Letters Issued	5
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- SA (b)(6),(b)(7)(C) Region 1, has been selected to serve as our Wellness Coordinator. SA (b)(6),(b)(7)(C) has extensive experience in this field and played a key role in a similar effort at the U.S. Secret Service. The overarching goals of the Wellness Program are to provide OI staff with the information and guidance to develop and maintain a wellness lifestyle. Stay tuned for more details.

JOYS, CARES, CONCERNS

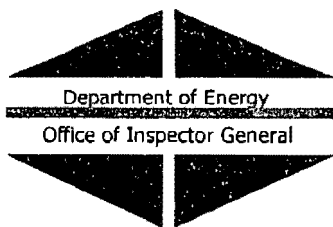
- Congratulations to the following OI personnel who attained Government service milestones recently: (b)(6),(b)(7)(C), 10 years; (b)(6),(b)(7)(C) 25 years; and (b)(6),(b)(7)(C), 30 years.

INVESTIGATIVE SUPPORT UPDATES

- The Second Progress Review for FY14 must be finalized in ePerformance by June 30, 2014.
- The Peer Review inspection team conducted their formal exit briefing with senior OI leadership this week. They found that our operations are compliant with Council of the Inspectors General on Integrity and Efficiency standards. Their written report, to include a letter of observations, is forthcoming and will be shared when received. AIGI Milner thanks everyone for their contributions to the Peer Review and sends special thanks to the following staff members for their critical roles in this successful outcome: (b)(6),(b)(7)(C) and SAs (b)(6),(b)(7)(C) (b)(6),(b)(7)(C)

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending June 6, 2014

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SIGNIFICANT ACTIVITY

1. Indictment and Arrest for Small Business Innovative Research Fraud

On May 29, 2014, two Department grantees were indicted and arrested for allegedly submitting fraudulent Small Business Innovative Research grant proposals and claims for reimbursement to the Department and numerous other Government agencies. The investigation determined the grantees submitted plagiarized proposals and falsified letters of endorsement to secure grants. Once the grants were awarded, the grantees submitted fraudulent invoices for associated costs. This is an ongoing, joint investigation with (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(13-0112-I: (b)(6), (b)(7)(C)

2. Investigative Report to Management Issued

On June 3, 2014, an Investigative Report to Management (IRM) was issued to the Sandia Field Office Manager. The investigation revealed a Department subcontractor company had overbilled the Department Managing and Operating contractor by approximately \$180,214. The OIG identified approximately \$75,710 of the questioned costs related to a subcontractor employee mischarging their time and attendance. The remaining balance was overbilled by the subcontract company for other costs associated with the employee. The IRM contained recommendations relating to the recovery of the questioned costs. (12-0002-I: (b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	245
Cases Opened This Week	1
Cases Closed This Week	5
Total Open Cases for this Ending Date	241
Cases in Hold Status	0
Cases Pending Closure/Action	0
OIG Case Support	10

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HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	52
Hotline Complaints Predicated	14
Referral Letters Issued	9
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to an OIG referral, 14 former employees of a Department grantee received severance pay entitlements they were owed. After receiving the OIG referral, the Department requested the grantee provide information regarding severance payments to former employees for which the Department had already paid the grantee. The grantee subsequently paid all the former employees their severance pay entitlements. (14-0020-C: (b)(6), (b)(7)(C))

BRIEFINGS AND RECOVERY ACT EFFORTS

- On June 3 and 4, 2014, SAs (b)(6), (b)(7)(C) conducted four fraud awareness briefings at the Los Alamos National Laboratory (LANL) Suspect Counterfeit Item Training. There were approximately 85 participants, including representatives from various LANL organizations.

OTHER MATTERS

- Personnel are reminded that we are only obligated to pay expenses associated with subpoenas to financial institutions related to accounts of individuals, not companies, as covered by the Right to Financial Privacy Act. Questions concerning this should be routed through an Operations Officer to Counsel to the IG.

JOYS, CARES, CONCERNS

- Please take a moment to reflect on the sacrifices made by the Allied Expeditionary Force 70 years ago today in France. To paraphrase General Eisenhower, the eyes of the world were upon them, and their courage, devotion to duty, and skill turned the tide.

INVESTIGATIVE SUPPORT UPDATES

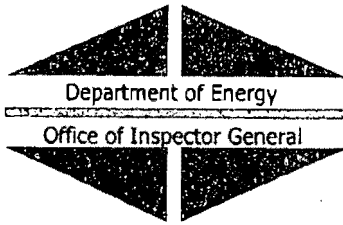
- The Second Progress Review for FY14 must be finalized in ePerformance by June 30, 2014.
- A new Evidence/Property Receipt form, replacing Exhibits B1 and B2 in OI Manual Chapter 9, was issued this week. The new form is available on IGComm, through your supervisor, or from Investigative Support.

- The Council of the Inspectors General on Integrity and Efficiency recently published a guide to enhance the use of the Program Fraud Civil Remedies Act. This guide was distributed to Special Agents-in-Charge this week. Agents are encouraged to review the guide to determine its utility in any existing or future investigations. Copies of the guide are available through Investigative Support.
- All personnel are required to complete the 2014 Federal Employee Occupational Safety and Health Annual Training Course by July 21, 2014. The course is available through the Department's Online Learning Center.

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Document Number 2



Weekly Activity Report Office of Audits and Inspections

December 16, 2013 – January 3, 2014

FINAL REPORTS ISSUED:

- **Special Report on NNSA's Management of the \$245 million Nuclear Materials Safeguards and Security Upgrades Project Phase II at Los Alamos National Laboratory (DOE/IG-0901, January 2, 2014)**

To address aging security infrastructure, the National Nuclear Security Administration is now in the final phase of a project to upgrade security at the Los Alamos National Laboratory's (LANL) Technical Area-55. These upgrades, known collectively as the Nuclear Materials Safeguards and Security Upgrades Project - Phase II (NMSSUP), began in 2009. LANL divided the bulk of the project into five firm-fixed price subcontracts that were awarded to one design company and three construction contractors. Due to favorable contract bids in April 2011, NNSA reduced the estimated total project cost from \$245 million to \$213 million. The project consisted of more than 2,200 scheduled activities and was expected to be completed in January 2013. Los Alamos National Security, LLC (LANS) is the management and operating contractor for LANL.

Our review revealed that the NMSSUP suffered from a number of project management weaknesses. These issues ultimately resulted in cost increases of as much as \$41 million and delayed completion of the project by nearly a year. In addition, management information systems failed to provide accurate and complete information about the funds available to complete the remaining work scope. These project management issues created a series of problems that collectively resulted in significant unanticipated cost and schedule impacts. Although it failed to take effective action to address project management weaknesses in NMSSUP, the Department implemented detective controls that identified many of the issues in this report and are key tools for holding Department contractors accountable for their performance. NNSA had taken a number of positive actions to hold LANS accountable for lack of performance; however, project management concerns remain despite these actions.

NNSA management generally concurred with our recommendations and acknowledged the problems that previously plagued the project; however, Management disagreed with our description of the evolution of NMSSUP's cost baseline and our conclusion that the project's costs exceeded its approved baseline. Management's existing and planned corrective actions are fully responsive to our recommendations.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Management Letter on the Federal Energy Regulatory Commission's Fiscal Year 2013 Financial Statement Audit (OAS-FS-14-04, December 18, 2013)**

The letter was prepared by KPMG, LLP, and details are not provided because it is marked Official Use Only.

Team Leader: (b)(6)

Staff: (b)(6)

DRAFT REPORTS ISSUED:

- **Draft Audit Report on *Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories* (A13CH027, December 20, 2013)**

The *Department of Energy National Competitiveness Technology Transfer Act of 1989* established technology transfer as a mission of Federal research and development agencies, including the Department of Energy (Department). The Department has since encouraged its national laboratories to enter into technology partnering activities with non-Federal entities and has authorized its facilities to patent and license intellectual property that may arise from research and development activities.

The *Energy Policy Act of 2005* and the October 2011 Presidential Memorandum on *Accelerating Technology Transfer and Commercialization of Federal Research in Support of High-Growth Businesses* had specific requirements regarding the Department's technology transfer and commercialization efforts.

Our review revealed opportunities to improve the effectiveness of the Department's management of its technology transfer and commercialization efforts. Specifically, we found that the Department had not finalized quantitative performance metrics necessary for it to determine the success of its technology transfer and commercialization efforts, developed a forward-looking approach for investing the Energy Technology Commercialization Fund required by the *Energy Policy Act of 2005*, and ensured the national laboratories were consistently treating their equity holdings in licensees received as part of their technology transfer efforts. Due to turnover in key staff, we were unable to definitively determine why the Department had failed to finalize and transmit its Execution Plan to Congress.

In the absence of finalized performance metrics and forward looking budgets, the Department is at increased risk of failing to maximize its return on investment of limited technology transfer and commercialization funds. We made several recommendations that, if implemented, should help improve the Department's technology transfer program.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Draft Audit Report on *Compliance with the Memorandum of Agreement Between the U.S. Department of Energy and the Energy Child Development Centers, Inc.* (A13GT016, December 18, 2013)**

The Office of Inspector General contracted with Lopez and Company, LLP (Lopez) to determine if the Energy Child Development Centers, Inc. (ECDC, Inc.) met the reporting and performance requirements of its December 16, 2002 Memorandum of Agreement (MOA) with the Department of Energy for the period of December 16, 2002 through December 31, 2011.

Lopez concluded that ECDC, Inc. did not meet the reporting and performance compliance requirements of the MOA. Due to a lack of documentation maintained by ECDC, Inc., Lopez was unable to make a determination of ECDC Inc.'s compliance with 8 of 13 major risk areas. For the remaining key processes, Lopez concluded that ECDC, Inc. did not materially comply with reporting and performance requirements. Specifically, Lopez found that ECDC, Inc. did not adequately screen recipients for tuition assistance eligibility in accordance with the MOA and General Services Administration requirements, provide both financial and program reporting as required by the MOA, always ensure that its financial and tax information reports reflected actual financial activity, and maintain documentation demonstrating that its Board of Directors was duly constituted according to its own bylaws.

Due to the lack of reporting and performance compliance with the MOA, the overall recommendation is that the Department considers terminating the MOA with ECDC, Inc. or work with ECDC, Inc. to revise its governance structure and the MOA and enforce the provisions of the MOA.

Assistant Director: (b)(6)

Team Leaders: (b)(6)

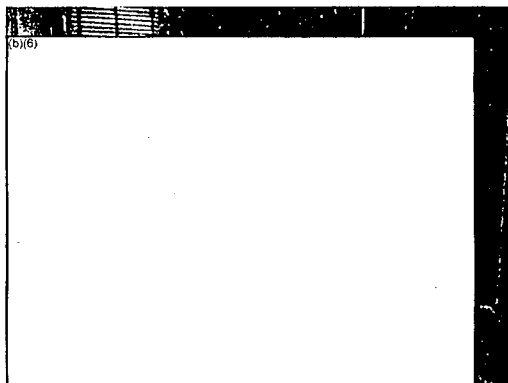
Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

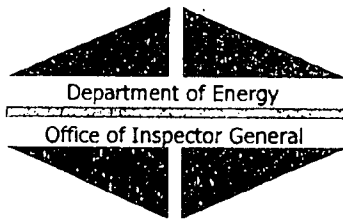
ANNOUNCEMENTS:

- (b)(6) was born at 6:28 a.m. on Saturday, December 28, 2013. (b)(6) are both doing well.
- The Germantown Audit groups were fortunate to be able to sponsor a family from Germantown Help this holiday season. In an effort to make the holidays a little brighter for one family, the Germantown office was able to provide a holiday meal, clothes and toys for a mother and four children this year. Germantown auditors delivered the items to the mother on December 20, 2013.
- TRAINING: The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.



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Team Leaders



Weekly Activity Report Office of Audits and Inspections

January 6 – 10, 2014

FINAL REPORTS ISSUED:

- **Report on Assessment of Audit Coverage of Cost Allowability for Pacific Northwest National Laboratory under Department of Energy Contract No. DE-AC05-76RL01830 during Fiscal Years 2010 and 2011 (OAS-V-14-04, January 6, 2014)**

Since 1965, Battelle Memorial Institute (Battelle) has operated the Pacific Northwest National Laboratory (PNNL) under contract with the Department of Energy (Department). PNNL, in the Department's Office of Science, performs research and innovations in the areas of environmental protection and clean up, energy resources and national security. PNNL is managed under a performance-based management contract, through September 30, 2017. During Fiscal Years (FYs) 2010 and 2011, Battelle expended and claimed \$1,919,935,280. Battelle is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Battelle's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing. Battelle's Internal Audit identified \$100,367 of questioned costs in FY 2010, and \$100,399 of questioned costs in FY 2011. All questioned costs from the FY 2010 Allowable Cost audit have been resolved. The Contracting Officer had yet to make a determination regarding \$75,576 of questioned costs identified in the FY 2011 Allowable Cost audit. Thus, we are reporting total questioned costs of \$75,576.

We also identified weaknesses with subcontract auditing that need to be addressed to ensure that only allowable costs are claimed by and reimbursed to the contractor. Specifically, we found that Battelle did not always conduct periodic post-award or interim audits of subcontracts. Battelle also did not have a risk-based approach for conducting periodic post-award or interim audits of cost reimbursement subcontracts. Management concurred with all report recommendations and provided planned corrective actions that are responsive to the recommendations.

Team Leader: (b)(6)
AIC: (b)(6)

- **Report on Assessment of Audit Coverage of Cost Allowability for Lawrence Berkeley National Laboratory under Department of Energy Contract No. DE-AC02-05CH11231 during Fiscal Year 2011 (OAS-V-14-05, January 6, 2014)**

Lawrence Berkeley National Laboratory (LBNL) is a member of the national laboratory system supported by the Department of Energy (Department) through its Office of Science. LBNL conducts unclassified research across a broad range of scientific disciplines. The University of California has operated LBNL since 1943 for the Department and its predecessors. During Fiscal Year (FY) 2011, LBNL incurred and claimed \$822,525,654.83.

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by LBNL Internal Audit (Internal Audit) for FY 2011 could not be relied upon. We did not identify any material internal control weaknesses with the cost

allowability audit, which generally met Institute of Internal Auditors Standards. In addition, we found that LBNL conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. Furthermore, Internal Audit identified unresolved and questioned costs totaling \$1,252,778 during its FY 2011 Audit of Cost Allowability of which \$1,142,908 remained unresolved as of November 2013. The unresolved questioned costs related to home office expenses and the Contracting Officer has not made a final decision on their allowability. Management concurred with the finding and recommendation, and its planned actions are responsive to our recommendation.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

- **Report on Assessment of Cost Allowability for B&W Technical Services Y-12, LLC under Department of Energy Contract No. DE-AC05-00OR22800 during Fiscal Years 2011 and 2012 (OAS-V-14-06, January 6, 2014)**

Since 2000, B&W Technical Services Y-12, LLC (B&W Y-12) has managed and operated the Y-12 National Security Complex (Y-12) under contract with the Department of Energy (Department). During Fiscal Years (FY) 2011 and 2012, B&W Y-12 incurred and claimed \$865,840,293.64 and \$1,021,744,801.60, respectively.

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by B&W Y-12's Internal Audit (Internal Audit) could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. We found that B&W Y-12 conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to contractors. During its Fiscal Year 2011 and 2012 Audits of Cost Allowability, Internal Audit identified questioned costs totaling \$1,098,295 and \$193,354 respectively, which have all been resolved.

In addition, B&W Y-12 has acted to address concerns we identified in our previous report, *Audit Coverage of Cost Allowability for B&W Technical Services Y-12, LLC under Department of Energy Contract No. DE-AC05-00OR22800 during Fiscal Year 2010* (OAS-V-12-07, May 2012). Specifically, B&W Y-12 implemented a risk-based plan to audit \$86,353,616 in unresolved subcontract costs pending audit, and 19 audits have been performed to date. The subcontract audits identified questioned costs totaling \$1,282,416, of which all but \$60,457 has been resolved. Thus, we are questioning that amount. Management generally agreed with the report and recommendation, and its planned actions are responsive to the recommendation.

Team Leader: (b)(6)
AIC: (b)(6)

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

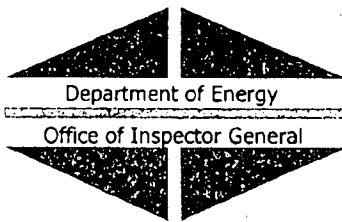
No activity reported.

ANNOUNCEMENTS:

No activity reported.

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Weekly Activity Report Office of Audits and Inspections

January 13 – 24, 2014

FINAL REPORTS ISSUED:

No activity reported.

DRAFT REPORTS ISSUED:

- **Draft Inspection Report on Review of Controls Over the Department's Classification of National Security Information (S12IS013, January 13, 2014)**

The Department of Energy handles and manages a broad spectrum of classified information, including National Security Information (NSI), Restricted Data (RD) and Formerly Restricted Data (FRD). The Office of Health, Safety and Security, Office of Classification, manages the Department-wide classification program and establishes policies to conform with Federal classification requirements, while implementation of classification requirements is shared among various organizations within the Department. (b)(5)

(b)(5)

(b)(5) Similarly, the Department's National Nuclear Security Administration (NNSA) separately develops and implements policies and procedures, in coordination with the Office of Classification, for the protection and security of classified information at NNSA sites.

Our inspection revealed that the Department had (b)(5) to establish and implement critical elements of (b)(5) its classified NSI program. Our review, however, revealed that certain aspects of the (b)(5) NSI program could be improved. (b)(5) our inspection determined that (b)(5) of documents and emails we reviewed had classification marking errors that could adversely impact efforts to protect classified NSI against loss or unauthorized disclosure and impede information sharing.

The classification related issues we observed occurred, in part, because of ineffective oversight of classification activities and inadequate training and guidance. (b)(5)

(b)(5)

In addition, the Department and NNSA guidance pertaining to marking classified emails were not consistent with Federal requirements. We made a number of recommendations to assist the Department with improving program management and execution of its classified NSI program.

Team Leader: (b)(6)

Project Lead: (b)(6)

Staff: (b)(6)

- **Draft Audit Report on The Department's Management and Use of Mobile Computing Devices and Services (A13TG004, January 17, 2014)**

Mobile computing devices are routinely used in the Federal government to facilitate internal and external communications, collaborations and operations. Nearly \$1.2 billion is spent annually on mobile and wireless services and devices across the Federal government. A prior

Office of Inspector General report identified weaknesses related to the acquisition and use of mobile or wireless communication devices within the Department of Energy.

We found that the Department had taken certain actions designed to improve the management and acquisition of mobile computing devices and services since our prior review. Despite those efforts, we identified opportunities for the Department to improve the acquisition and management of mobile devices and related services and potentially save more than \$2.3 million over a 3-year period at just 8 of 10 locations reviewed. In particular, we noted that the Department spent more than necessary on mobile devices and services in Fiscal Year 2012, and had not taken action to consolidate contracts and leverage demand to increase buying efficiency for the acquisition of mobile computing devices and services. We also found that controls over facility contractor-administered stipend initiatives could be strengthened.

The problems we identified occurred, in part, because the Department had not always developed and/or implemented effective policies and procedures to govern the issuance, use and monitoring of mobile devices and services. In addition, sites had not developed and implemented policies and procedures to ensure that employees who received stipends actually incurred additional costs as a result of using personal devices for business purposes. Sites also had not always conducted adequate cost-benefit analyses related to stipend initiatives, a factor that may have contributed to higher than necessary payments to employees. Furthermore, programs and sites had taken a fragmented approach to procurement and administration of mobile devices rather than using a centralized coordinated approach, resulting in potentially costly and duplicative acquisition and maintenance functions and varying prices paid for the same products and services.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

- **Draft Audit Report on *The Department of Energy's Loan Guarantee to Abound Solar Manufacturing, LLC* (A13PT008, January 17, 2014)**

The goal of the Department of Energy's Loan Guarantee Program is to provide Federal support in the form of loan guarantees to spur commercial investments in clean energy projects that use innovative technologies. (b)(5)

(b)(5) In December 2010, the Program issued the loan guarantee to Abound for up to \$400 million to construct and commission thin-film photovoltaic solar panel manufacturing facilities in Colorado and Indiana capable of annually producing up to 840 megawatts of clean renewable energy. While the loan was funded by the Federal Financing Bank, the Program was responsible for loan underwriting and approval, the subsequent loan servicing and monitoring, and the credit subsidy to reimburse Federal Financing Bank for any losses on the loan. In September 2011, Abound failed to meet certain milestones and the Program suspended funding to the project. Subsequently, Abound filed for bankruptcy in July 2012. Prior to the filing, the Department had approved the disbursement of approximately \$70 million in loan funds to Abound.

Our audit revealed that Abound's failure to meet its project milestones and its subsequent bankruptcy occurred as a result of a combination of market conditions and technical issues that negatively impacted its operations. Although the Department had identified, considered and taken steps to mitigate the market and technical risks, and had reduced the financial exposure to the project by suspending funding when Abound did not meet its project milestones, our audit identified several weaknesses in the Department's administration of the Abound loan. Specifically, we found the Program had not consulted with the Board concerning a material change in the credit subsidy subsequent to the Board's recommendation to approve the loan,

resolved the conflicting opinions of its advisors regarding Abound's ability to overcome technical issues, adequately documented the assumptions in the financial modeling used to support loan approval and monitoring, and conducted ongoing, formal financial and industrial analyses as part of its monitoring activities for the loan as required by the Program's policy manual.

The issues we identified occurred because the Program had not established comprehensive policies, procedures and guidance for awarding, monitoring and administering loans. Specifically, we noted a lack of guidance in the areas of the Board's reconsideration of loans, the processes for resolving differences in professional opinions among the Program's technical experts, the nature and timing of financial and industrial analysis, and the management of distressed loans. Additionally, at the time this loan was being administered, the Program had not developed and implemented a comprehensive records management system necessary to capture the results of its decision making process or monitoring efforts.

Team Leader: (b)(6)

AIC: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

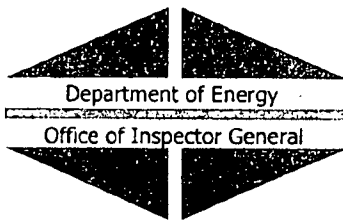
No activity reported.

ANNOUNCEMENTS:

- The Central Audits Division in Washington, DC welcomes two new employees, Paul Scott and Diane Parker. Paul graduated from New York University in May 2009. He previously worked as a Tax Examination Technician for the Internal Revenue Service. Diane completed her Masters of Business Administration in May 2013 from Hawaii Pacific University. She previously worked as a technician for the Marine Corps.

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Weekly Activity Report Office of Audits and Inspections

January 27 – 31, 2014

FINAL REPORTS ISSUED:

- ***Audit Report on Assessment of Audit Coverage of Cost Allowability for Ames Laboratory during Fiscal Years 2009 through 2012 under Department of Energy Contract No. DE-AC02-07CH11358 (OAS-V-14-07, January 28, 2014)***

Since 1947, Iowa State University has operated Ames Laboratory (Ames) under contract with the Department of Energy (Department). The Laboratory is part of the Department's Office of Science and seeks solutions to energy-related problems through the exploration of chemical, engineering, materials, mathematical, and physical sciences. During Fiscal Years (FYs) 2009 through 2012, Ames incurred and claimed \$136,168,683. Ames is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Ames' Internal Audit did not meet Institute of Internal Auditors Standards and could not be relied on. Ames' Internal Audit had identified \$3,138 in questioned costs, of which \$486 was recovered and \$2,652 was resolved based on retroactive approvals or additional supporting documentation. Finally, nothing came to our attention to indicate that questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews had not been adequately resolved.

Although required by its contract, we found that Ames had not established a policy requiring audits of subcontracts in which costs incurred were a factor in determining the amount payable to the subcontractor (cost-type subcontracts). Ames' management stated that it did not have a policy because, historically, Ames did not enter into cost-type subcontracts that would warrant an audit. Its practice has been to follow the Federal Acquisition Regulation quick closeout procedures, which allows subcontracts to be closed without an audit when the unaudited costs are insignificant, such as less than \$1 million, among other risk factors. The impact of this issue, however, was minimal because during the scope of our review, Ames did not have any significant cost-type subcontracts that fell into this category. However, we noted that Ames awarded one subcontract over \$1 million in FY 2012, and recently awarded others that may require an audit in the future. Therefore, it may be prudent for Ames to establish a policy. Management concurred with our suggested action and committed to developing a policy for auditing cost-type subcontracts.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

- ***Inspection Report on Performance of Work for a Non-Department Entity at Lawrence Livermore National Laboratory (INS-O-14-01, January 29, 2014)***

The Office of Inspector General received a complaint alleging that Lawrence Livermore National Laboratory (LLNL) engaged in illegal competition with the private sector by performing work for a non-Federal entity, and that the facilities and resources of LLNL were used inappropriately to perform this outside work. These allegations involve explosives-related work performed at LLNL for a National Geographic documentary about the *Lusitania*, a British passenger ship that sank in

May 1915. We initiated this inspection to determine the facts and circumstances surrounding these allegations.

Our inspection substantiated certain aspects of the allegation. Specifically, we found that LLNL did not adequately consider the prohibitions against a Federally Funded Research and Development Center competing with the private sector when performing work for National Geographic's documentary, *The Dark Secrets of the Lusitania*, and that LLNL used Department facilities and resources inappropriately, to include \$81,746 in Licensing and Royalty funds, to perform work for National Geographic. In addition, the work performed for the documentary did not appear to be consistent with LLNL's mission.

These conditions occurred, in part, because LLNL did not follow the established Work for Others process but instead pursued an alternate, less formal process for approving and funding the documentary as a non-reimbursable project that used Licensing and Royalty funds. In addition, officials' stated understanding of the appropriate use of Licensing and Royalty funds by LLNL officials was not consistent with the requirements for the use of these funds. Moreover, LLNL had not established a detailed disposition plan to spend these funds in a manner consistent with Federal regulations and contract terms. Finally, neither the annual disposition plan nor the end-of-year accounting provided the level of detail necessary for the Livermore Field Office to assess whether LLNL had used Licensing and Royalty funds appropriately. Management concurred with our recommendations and indicated that it was in the process of implementing corrective actions that were generally responsive to our findings and recommendations.

Team Leader: (b)(6)

Project Lead: (b)(6)

DRAFT REPORTS ISSUED:

- **Draft Audit Report on Management of the National Nuclear Security Administration's Biosafety Laboratories (A13LL011, January 30, 2014)**

To conduct biological research, the Department and the National Nuclear Security Administration (NNSA) operate multiple laboratory facilities in accordance with various biosafety levels (BSLs) established by the Centers for Disease Control and Prevention. The BSLs classify the containment level and risk associated with biological agents depending on the threat the agents pose to personnel and the environment. For example, BSL-1 is for low-risk agents; BSL-2 is for medium-risk agents; and BSL-3 is for those agents that cause serious and potentially lethal infections. Department and NNSA sites primarily perform BSL-1 and BSL-2 research; however, Lawrence Livermore National Laboratory (LLNL) operates a facility with three BSL-3 laboratories while Los Alamos National Laboratory (LANL) is considering opening a facility with two BSL-3 laboratories. Extensive biological research is performed at LLNL and LANL for other Government agencies through the Department's Work for Others (WFO) program.

We found that NNSA was considering an expansion of its BSL-3 and BSL-2 laboratory capabilities at LANL that may not be the most effective use of resources. Specifically, NNSA identified the development of a BSL-3 facility at LANL as its preferred alternative for meeting biosafety laboratory needs even though it had not fully considered the need for additional capacity and had not developed a sound basis for measuring the utilization of existing facilities, a critical factor in determining the need for additional capacity. Despite the lack of information on the need for additional capacity and current laboratory utilization rates, LANL was also considering building a new BSL-2 facility.

In particular, NNSA proposed development of a facility with two BSL-3 laboratories at LANL.

(b)(5)

(b)(5)

was about \$1.5 million and \$8 million,

respectively. Given current budget realities, plans to develop additional capabilities without fully demonstrating a mission need may not be prudent. We also noted that LLNL and LANL's current cost allocation practices may have understated the costs of biological research personnel that support WFO projects, actions that are inconsistent with the Department's full cost recovery policy for such work.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

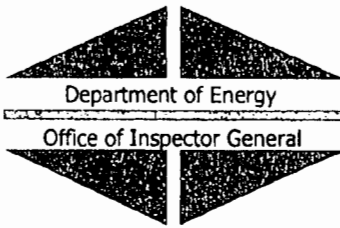
No activity reported.

ANNOUNCEMENTS:

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Weekly Activity Report Office of Audits and Inspections

February 3 – 7, 2014

FINAL REPORTS ISSUED:

- Audit Report on The Department's Management of Scientific User Facilities (OAS-L-14-02, February 5, 2014)

The Department of Energy's (Department) Office of Science operates 31 Scientific User Facilities (user facilities). These facilities provide scientific researchers with the most advanced tools of modern science and include accelerators, colliders, supercomputers, light sources and neutron sources, as well as facilities for studying the nanoworld, the environment and the atmosphere.

Nothing came to our attention to indicate that the Office of Science had not effectively maximized the utilization of its user facilities and monitored user facility performance. Our review of 2 Department laboratories that contained 8 of the Department's 31 user facilities found that 2 neutron science facilities at the Oak Ridge National Laboratory (ORNL) exceeded 2011 goals for operating hours, while the Oak Ridge Leadership Computing Facility achieved a utilization rate of over 95 percent of optimal hours. At Brookhaven National Laboratory (Brookhaven) the National Synchrotron Light Source exceeded its planned operating hours and the Relativistic Heavy Ion Collider achieved over 97 percent of its planned operating hours.

Although our review did not identify any major concerns, we did identify two areas in which performance improvement may be possible, and we provided suggestions to the Office of Science and Brookhaven National Laboratory to address these areas.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

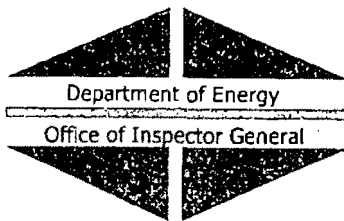
No activity reported.

ANNOUNCEMENTS:

- Congratulations to (b)(6) On (b)(6) 2014, they welcomed a baby (b)(6). Everyone is doing well.
- Congratulations to (b)(6) who welcomed a baby (b)(6) week! (b)(6) The family is happy and healthy.

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Weekly Activity Report Office of Audits and Inspections

February 10 – 14, 2014

FINAL REPORTS ISSUED:

- Audit Report on Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories (OAS-M-14-02, February 14, 2014)

Since the *Department of Energy National Competitiveness Technology Transfer Act of 1989*, the Department has encouraged its national laboratories to enter into technology partnering activities with non-Federal entities and has authorized its facilities to patent and license intellectual property that may arise from research and development activities. The *Energy Policy Act of 2005* and the October 2011 Presidential Memorandum on *Accelerating Technology Transfer and Commercialization of Federal Research in Support of High-Growth Businesses* had specific requirements regarding the Department's technology transfer and commercialization efforts.

Our review revealed opportunities to improve the effectiveness of the Department's management of its technology transfer and commercialization efforts. Specifically, we found that the Department had not finalized quantitative performance metrics necessary for it to determine the success of its technology transfer and commercialization efforts, developed a forward-looking approach for investing the Energy Technology Commercialization Fund required by the *Energy Policy Act of 2005*, and ensured the national laboratories were consistently treating their equity holdings in licensees received as part of their technology transfer efforts. Due to turnover in key staff, we were unable to definitively determine why the Department had failed to finalize and transmit its Execution Plan to Congress.

In the absence of finalized performance metrics and forward looking budgets, the Department is at increased risk of failing to maximize its return on investment of limited technology transfer and commercialization funds. Management concurred with our recommendations and identified planned actions to address our recommendations.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

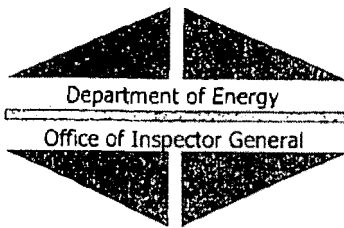
No activity reported.

ANNOUNCEMENTS:

- Congratulations to (b)(6) (Pittsburgh) and (b)(6) on the birth of their (b)(6) was born on (b)(6) 2014, at 2:58 p.m. (b)(6) Everyone is doing well.

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Weekly Activity Report Office of Audits and Inspections

February 18 – 21, 2014

FINAL REPORTS ISSUED:

- **Special Report on Allegations of Potential Fraud and Mismanagement of a Smart Grid Investment Grant Program Award (OAS-RA-14-03, February 19, 2014)**

As part of the *American Recovery and Reinvestment Act of 2009*, the Office of Electricity Delivery and Energy Reliability received about \$4.5 billion to modernize the electric grid, with about \$3.5 billion allocated to the Smart Grid Investment Grant (SGIG) Program. Under the SGIG Program, Progress Energy Service Company (Progress Energy) received a \$200 million grant to accelerate deployment of technologies to increase efficiency and demand response across its enterprise. As part of the award, Progress Energy partnered with International Business Machines (IBM) to manage the project and its associated tasks.

The Office of Inspector General received an allegation that Progress Energy had mismanaged the SGIG award and submitted potential false claims to the Department of Energy. Although other assertions were made regarding the award, we elected to address two areas of the allegation: (1) that Progress Energy had fraudulently submitted reimbursement requests for costs incurred prior to the award, and (2) that contracted services with IBM contained no associated deliverables.

The allegations we evaluated were not substantiated. While we confirmed that Progress Energy had submitted reimbursement requests for costs incurred prior to the date of the award, we determined that this practice had been specifically allowed by the Department. Additionally, we found that the task orders contained a number of deliverables, and nothing came to our attention to suggest that the specific deliverables contained in the task orders to IBM were inadequate or were not appropriately documented. Based on these considerations and our review of information supplied by Progress Energy and the Department, we did not substantiate the allegations.

Team Leader: (b)(6)(b)(7)(C)

Staff: (b)(6)(b)(7)(C)

- **Audit Report on Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2013 (OAS-FS-14-06, February 20, 2014)**

During the audit, KPMG, LLP (KPMG), our contract auditors, noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal control or result in other operating efficiencies. Additionally, KPMG identified certain deficiencies in internal controls that it considered a significant deficiency.

KPMG noted 12 new findings and 5 repeat findings that were issued during the course of the Fiscal Year 2013 Audit of the Department of Energy's Consolidated Financial Statements. Management generally concurred with and provided planned corrective actions for most of the recommendations listed in the Management Letter.

Team Leader: (b)(6)

Staff: (b)(6)

DRAFT REPORTS ISSUED:

- **Draft Report on *Assessment of Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation during October 1, 2011 through September 30, 2012 under Department of Energy Contract No. DE-NR0000031 (A13PT058, February 19, 2014)***

Since 2009, Bechtel Marine Propulsion Corporation (BMPC) has operated the Bettis Atomic Power Laboratory and the Knolls Atomic Power Laboratory under contract with the Department of Energy (Department). During the period of October 1, 2011 through September 30, 2012, BMPC expended and claimed over \$937 million. BMPC is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by the Field Office and the BMPC Audit Group did not meet generally accepted Government auditing standards and Institute of Internal Auditors Standards, respectively, and could not be relied on. Furthermore, costs questioned in the allowable cost audits conducted by the Field Office auditors and BMPC Audit Group had been resolved. We identified no other audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for October 1, 2011 through September 30, 2012. However, we found that BMPC had not conducted or arranged for interim post-award audits of its cost-type subcontracts during the review period as required by BMPC's policies and contract language. We provided a recommendation in order to assure sufficient audit coverage.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Draft Audit Report on *Public Dissemination of Research Results (A13CH026, February 21, 2014)***

The Department of Energy (Department) invests over \$11 billion annually in research and development. The *Atomic Energy Act of 1946* and subsequent laws and regulations were designed to encourage the dissemination of research results. The Department's mandate to publicly disseminate unclassified research results is fulfilled by the Office of Science's Office of Scientific and Technical Information (OSTI) in Oak Ridge, Tennessee. The results of research funded by the Department or performed at Department facilities are submitted to Energy Link (E-Link), the Department's system for collecting, reviewing, and releasing technical reports and other forms of scientific and technical information. E-Link, which is operated by OSTI, contains the results from research, development, demonstration, and commercial activities.

Department-funded science and energy research results were not always properly disseminated to the public. We found that financial assistance recipients had not always submitted final technical reports to OSTI, unrestricted reports submitted to E-Link were not always reviewed and subsequently released publicly, and reports were not released after the expiration of associated data protection periods.

The problems we identified occurred due to weaknesses in the Department's processes for monitoring receipt of final reports from recipients, reviewing and releasing reports that have

been received, addressing processing errors that prevent receipt or release of reports, and identifying and releasing reports upon expiration of data protection periods. The failure to obtain and disseminate the results of Department funded research has been a long-standing problem that the Office of Inspector General has previously brought to management's attention. We made several recommendations that, if implemented, should improve the timeliness of dissemination of research results to the public.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

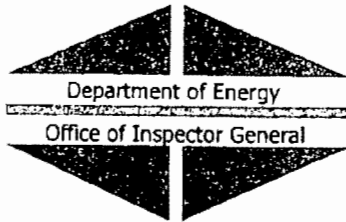
- An entrance conference was conducted on February 18, 2014 for the evaluation of the Department's Unclassified Cyber Security Program - 2014. The objective of the evaluation is to determine whether the Department's unclassified cyber security program adequately protects data and information systems. Representatives from the Office of Inspector General, Office of the Chief Financial Officer, Office of the Chief Information Officer and several of the Department's Programs attended.

ANNOUNCEMENTS:

No activity reported.

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Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

February 24 – March 7, 2014

FINAL REPORTS ISSUED:

No activity reported.

DRAFT REPORTS ISSUED:

- **Draft Special Report on the *Office of Energy Efficiency and Renewable Energy's Integrated Resource and Information System (A13TG049, February 26, 2014)***

To help streamline its business processes and enhance communications among employees, the Office of Energy Efficiency and Renewable Energy (EERE) initiated the development of the Integrated Resource and Information System (IRIS) project in October 2012. At the time of our review, EERE had spent over \$7 million on the project and planned to budget an additional \$3.6 million for IRIS through December 2014.

The Office of Inspector General received two complaints regarding the EERE IRIS development effort. (b)(5) officials managing the IRIS project ignored the Department's structured capital planning and investment control process for (b)(5) information technology investments. (b)(5), (b)(6)

(b)(5) It was also alleged that the project lacked effective oversight controls to enable Federal managers to monitor progress against baseline costs, schedules, performance and expected benefits, which resulted in significant cost overruns and implementation delays without producing any results.

Our review largely substantiated the allegations related to project planning and contracting. We discovered that EERE had not effectively managed the development and implementation of IRIS. In particular, EERE failed to follow the Department's structured capital planning and investment control process and had not provided effective monitoring of the project. (b)(5)

(b)(5)

Team Leader: (b)(5)

AIC: (b)(6)

Staff: (b)(6)

- **Draft Report on *Assessment of Audit Coverage of Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94AL85000 for Fiscal Years 2011 and 2012 (A13AL051, March 5, 2014)***

(b)(5)

(b)(5)

(b)(5)

Team Leader:

(b)(6)

AIC:

(b)(6)

Staff:

(b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

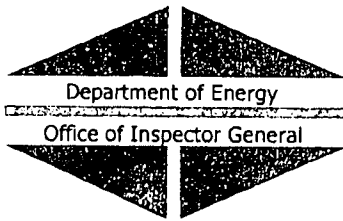
No activity reported.

ANNOUNCEMENTS:

- Congratulations to (b)(6) of the Pittsburgh Audit Group and (b)(6) on the birth (b)(6) 2014, at (b)(6) (b)(6) inches long. Everyone is doing well.

Distribution:

Inspector General
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Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
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Team Leaders



Weekly Activity Report
Office of Audits and Inspections
March 10 – March 14, 2014

FINAL REPORTS ISSUED:

- **Audit Report on Evaluation of Costs Charged to the Washington Savannah River Company Contract No. DE-AC09-96SR18500 during Fiscal Years 2010 and 2011 (OAS-L-14-03, March 12, 2014)**

In August 1996, the Department of Energy's (Department) Savannah River Operations Office awarded the Savannah River Site management and operating (M&O) contract to Washington Savannah River Company (WSRC). Subsequent to completion of work in June 2009, Savannah River Operations Office authorized WSRC to obtain accounting, auditing, legal and other administrative services from Savannah River Remediation to support the formal closeout of its contract. In December 2009, the Letter of Credit expired and Savannah River Operations Office required WSRC to provide invoices for reimbursement of the closeout costs. Savannah River Operations Office requested the Office of Inspector General review the invoices and supporting documentation for costs reimbursed to WSRC during Fiscal Years (FYs) 2010 and 2011, including the closeout costs incurred by Savannah River Remediation.

During the course of our evaluation, nothing came to our attention to indicate that WSRC was reimbursed for costs that were not consistent with the terms of the contract. During FYs 2010 and 2011, WSRC was reimbursed a total of \$601,420 for costs incurred. Detailed invoices, along with supporting documentation, were submitted to the Savannah River Operations Office Contracting Officer for review and approval prior to payment. We did not make any recommendations in this report.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Audit Report on Fiscal Year 2012 Work Performed Under the Work for Others Program at Los Alamos National Laboratory (OAS-M-14-03, March 12, 2014)**

The Office of Inspector General contracted with an independent certified public accounting firm, KPMG, LLP (KPMG), to assess the internal control structure at Los Alamos National Laboratory (LANL) and determine whether it is effective in achieving the current goals and objectives of the Work for Others (WFO) Program for Fiscal Year (FY) 2012.

KPMG concluded that, except for the finding detailed in the report, LANL implemented internal controls and compliance procedures in FY 2012 that met the Department of Energy's (Department) WFO Program requirements, as stated in Department regulations, guidance and applicable contract provisions. However, KPMG found that labor costs of certain personnel who primarily supported the WFO Program were not allocated to WFO projects. KPMG estimated that during FY 2012, the Department would have an annual savings of approximately \$2 million by implementing a separate indirect rate for these support organizations.

Further, KPMG noted that LANL's Ethics and Audit Division performed audits of the LANL timekeeping policies in FY 2009 and FY 2011, and both audits identified employees who did not allocate time proportionately benefiting projects. Because LANL had taken corrective action and implemented additional policies and procedures for timekeeping, KPMG did not repeat the

related findings and recommendations in its report. The National Nuclear Security Administration generally concurred with the finding and recommendation.

Technical Monitor: (b)(6)

DRAFT REPORTS ISSUED:

- **Draft Audit Report on *Cost and Schedule of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site* (A12OR032, March 11, 2014)**

The Department of Energy (Department) formally approved a project baseline in April 2007, and started construction on the Mixed Oxide Fuel Fabrication Facility (MOX Facility) Facility in August 2007. At that time, the MOX Facility project had an estimated total project cost of \$4.8 billion and a scheduled completion date of September 2016. Shaw AREVA MOX Services, LLC (MOX Services) has been working on the design (b)(5) Facility since 1999. Through October 2013, about \$4 billion had been spent on the MOX Facility project and latest available project estimates show that the project was (b)(5) about 60 percent complete. However, design work is still underway in a number of areas including software, instrumentation and control systems, fire suppression and various mechanical systems.

NNSA and MOX Services have been largely unsuccessful in controlling the cost and schedule for the MOX Facility. A March 2012 construction project review conducted by the National Nuclear Security Administration (NNSA) concluded that the MOX Facility had a very low probability of being completed according to the approved baseline. Also, NNSA directed MOX Services to develop a baseline change proposal, with updated cost and schedule projections, (b)(5)

(b)(5) The revised baseline estimated that total project costs would grow to about \$7.7 billion and that completion would slip to November 2019. (b)(5) cost growth of about \$2.9 billion and a project schedule slippage of over 3 years. (b)(5)

(b)(5)

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Draft Inspection Report on *Conference Management at Selected Department Sites* (S13IS007, March 12, 2014)**

In support of its diverse science, energy and national security missions, the Department of Energy (Department) sponsors and/or funds attendance of both Federal and contractor employees at a variety of conferences and meetings. During Fiscal Year (FY) 2013, the Department expected to spend about \$125 million on approximately 9,700 events. To help ensure that such events are cost effective and relate to the core missions, in May 2012, the Office of Management and Budget (OMB) issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*. In response to the OMB direction, in December 2012, the Department issued a memorandum, *Updated Guidance on Conference-Related Activities and Spending*, establishing stringent conference reporting and approval processes. The Guidance also required the development of a database known as the Conference Management Tool. According to Department officials, the tool is used to track events across program elements and helped save the Department \$7.6 million in FY 2013.

(b)(5)

Team Leader: (b)(6)

Project Lead: (b)(6)

Staff: (b)(6)

- **Draft Audit Report on Follow-Up Audit of the Los Alamos Neutron Science Center (A12LA043, March 12, 2014)**

In 2004, the Office of Inspector General reported in *The Los Alamos Neutron Science Center* (DOE/IG-0666, November 2004), that the Los Alamos Neutron Science Center (LANSCE) may not be capable of operating effectively in the future as equipment failures in major components made the accelerator's beam unreliable. We recommended that the National Nuclear Security Administration (NNSA) determine whether LANSCE had a viable mission and, dependent on the determination, develop plans to refurbish the facility or shut it down. In 2010, NNSA found that fundamental science and materials research performed at LANSCE was important to its programmatic needs and should continue for at least a decade. As such, LANL developed the LANSCE Linac Risk Mitigation Strategy (LRM) to increase the reliability of the accelerator and restore its designed performance levels. The LRM has a completion date of 2019, with a total estimated project cost of \$252.9 million and will be funded with operating funds on an annual basis. The LRM is comprised of 20 subprojects involving approximately 7,500 work activities.

Our review disclosed that LANL was generally meeting milestones as scheduled, executing work within budget, and had implemented some project oversight tools. While LANL met milestones for refurbishing LANSCE and executed work within budget, we observed that the LRM is facing challenges that may hinder its ability to improve the reliability of the facility and restore performance levels of the accelerator. Further, LANL did not adhere to the Department's requirements contained in Department Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*, or employ all project management tools therein. For example, the status of the LRM's work has not been reported in the Department's Project Assessment and Reporting System (PARS II), as are other projects of similar magnitude and cost. This omission from PARS II adversely impacts the Department's ability to monitor LRM's progress to ensure that it meets its goals and objectives and stays with established cost and schedule parameters.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Draft Audit Report on Implementation of Recommendations from the January 2012 Independent Consultant's Review of the Department of Energy Loan and Loan Guarantee Portfolio (A13PT044, March 14, 2014)**

(b)(5)

(b)(5)

(b)(5)

(b)(5)

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

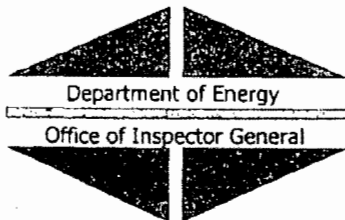
No activity reported.

ANNOUNCEMENTS:

- Congratulations to (b)(6) who welcomed a baby (b)(6) (b)(6) 2014. (b)(6)
Everyone is doing well.

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Weekly Activity Report
Office of Audits and Inspections

March 17 – March 21, 2014

FINAL REPORTS ISSUED:

- **Audit Report on the *Department of Energy's Uranium Enrichment Decontamination and Decommissioning Fund's Fiscal Year 2012 Financial Statement Audit* (OAS-FS-14-07, March 20, 2014)**

We contracted with the independent public accounting firm of KPMG, LLP (KPMG) to conduct the audit of the Department of Energy's (Department) Uranium Enrichment Decontamination and Decommissioning Fund's (D&D Fund) Fiscal Year 2012 balance sheets and the related statements of net cost, changes in net position and budgetary resources.

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of the D&D Fund as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with United States generally accepted accounting principles. The auditors also considered the D&D Fund's internal controls over financial reporting. The audit identified a deficiency, related to recording of environmental liabilities that is considered to be a material weakness, and other deficiencies, related to unclassified network and information systems security that is considered to be a significant deficiency.

The auditors' tests of compliance with certain provisions of laws, regulations and contracts disclosed no instances of noncompliance or other matters that are required to be reported.

Team Leader: (b)(6)
Staff: (b)(6)

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

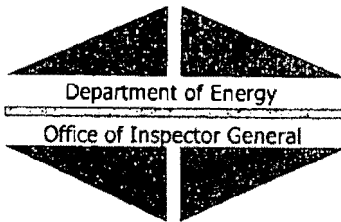
ANNOUNCEMENTS:

No activity reported.

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Weekly Activity Report Office of Audits and Inspections

April 7 – April 11, 2014

FINAL REPORTS ISSUED:

- **Audit Report on Compliance with the Memorandum of Agreement Between the U.S. Department of Energy and the Energy Child Development Centers, Inc. (OAS-M-14-04, April 7, 2014)**

The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP (Lopez), to determine whether the Energy Child Development Centers, Inc. (ECDC, Inc.) met the reporting and performance requirements of its December 16, 2002 Memorandum of Agreement (MOA) with the Department of Energy for the period of December 16, 2002 through December 31, 2011.

Lopez concluded that ECDC, Inc. did not meet the reporting and performance compliance requirements of the MOA. Due to a lack of documentation maintained by ECDC, Inc., Lopez was unable to make a determination of ECDC Inc.'s compliance with 8 of 13 major risk areas. For the remaining key processes, Lopez concluded that ECDC, Inc. did not materially comply with reporting and performance requirements.

Management's corrective actions are responsive to our recommendations. Consistent with the MOA, our recommendation and the lack of compliance and transparency of the ECDC, Inc. Board, the Department will terminate the MOA with ECDC, Inc.

Team Leader: (b)(6)
Staff: (b)(6)

- **Management Alert on Review of Internal Controls for Protecting Non-Public Information at the Federal Energy Regulatory Commission (DOE/IG-0906, April 9, 2014)**

In March 2014, the Office of Inspector General initiated a review of internal controls for protecting non-public information at the Federal Energy Regulatory Commission (Commission). The review was initiated in response to requests from the Senate Energy Natural Resources Committee and also the Commission regarding an alleged leak of non-public information exposing certain electric grid vulnerabilities, and details surrounding the April 2013 attack on the Pacific Gas and Electric Company's Metcalf substation.

Based on our work to date, we have reached a preliminary conclusion that the Commission may not possess adequate controls for identifying and handling certain electric grid-related information that could pose threats to national security.

Team Leader: (b)(6)
Project Lead: (b)(6)
Staff: (b)(6)

DRAFT REPORTS ISSUED:

- **Draft Audit Report on Selected Activities of the Office of Energy Efficiency and Renewable Energy's Advanced Manufacturing Office (A13RA022, April 10, 2014)**

We found that the Department had not always effectively managed the Program awards. In particular, during our review of 10 projects awarded a total of \$107 million, including approximately \$95 million in Recovery Act funds, we discovered that Program officials approved and reimbursed approximately \$17 million to three recipients without reviewing detailed supporting documentation to substantiate costs claimed, although specifically required to do so. We also found that Program officials had not maintained records of analyses or documentation supporting comprehensive pre-award desk reviews conducted on two of the projects we reviewed.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

- **Draft Report on Assessment of Audit Coverage of Cost Allowability for Los Alamos National Laboratory during Fiscal Years 2011 and 2012 under Department of Energy Contract No. DE-AC52-06NA25396 (A13LA029, April 11, 2014)**

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by LANL's Internal Audit for FYs 2011 and 2012 could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing. However, we are questioning \$601,927 of costs identified by Internal Audit that had not been resolved. These unresolved costs consist of \$351,794 in questioned costs identified during the cost allowability audits and \$250,133 in questioned costs identified during audits of subcontracts.

Team Leader: (b)(6)

AIC: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

- An entrance conference was conducted on April 10, 2014, for the evaluation of the Department of Energy's Sunshot Innovations in Manufacturing Competitiveness Program. The objective of the audit is to determine whether the Department of Energy managed financial assistance awards under the SunShot Innovations in Manufacturing Program efficiently and effectively. Representatives from the Office of Inspector General and the Office of Energy Efficiency and Renewable Energy attended.

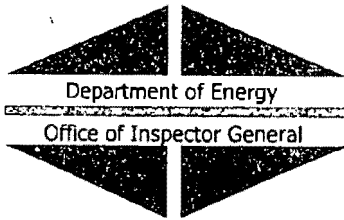
ANNOUNCEMENTS:

- The 2014 DOE Harassment Prevention course is designed to address the importance of the prevention of harassment, discrimination, and retaliation in the workplace, as well as to inform Federal employees about the equal employment opportunity complaint process. This course must be completed by May 5, 2014.

- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."

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Weekly Activity Report Office of Audits and Inspections

April 14 – April 25, 2014

FINAL REPORTS ISSUED:

- **Audit Report on Allegations Regarding the Department of Energy's State Energy Program Funding to South Dakota (OAS-RA-L-14-01, April 14, 2014)**

South Dakota used its *American Recovery and Reinvestment Act of 2009* (Recovery Act) State Energy Program (SEP) funds to identify and implement cost-effective energy conservation measures at state institutions such as schools, prisons, and administrative buildings. It allocated about \$23.5 million in subgrants to 22 state institutions for 48 projects, and about \$200,000 to South Dakota's Office of the State Engineer for administrative functions.

The Office of Inspector General received a complaint that South Dakota officials had modified supporting documents for completed, state-funded projects in order to replace state dollars with Recovery Act SEP funds. The complaint also asserted that there were irregularities in a number of building projects managed by two of the state's public institutions, and that there were media reports of potential financial misconduct within the Governor's Office of Economic Development.

We did not substantiate the allegations. Specifically, nothing came to our attention to indicate that South Dakota used Recovery Act SEP funds to pay for projects that had already been completed prior to the SEP award performance period. Additionally, our limited testing of select files did not identify irregularities that would indicate fraud, waste, abuse, or mismanagement related to Recovery Act SEP funds.

Team Leader: (b)(6)
AIC: (b)(6)

- **Audit Report on The Department of Energy's Management and Use of Mobile Computing Devices and Services (DOE/IG-0908, April 15, 2014)**

Mobile computing devices are routinely used in the Federal Government to facilitate internal and external communications, collaborations and operations. Agencies are encouraged to assess device inventories and usage, and establish controls to ensure they are not paying for unused or underutilized information technology equipment, software or services. A prior Office of Inspector General report identified weaknesses related to the acquisition and use of mobile or wireless communication devices within the Department of Energy (Department).

Our review determined that the Department had taken certain actions designed to improve the management and acquisition of mobile computing devices and services since our prior review. Despite those efforts, we identified opportunities for the Department to improve the acquisition and management of mobile devices and related services and potentially save more than \$2.3 million over a 3-year period at just 8 of 10 locations reviewed.

We made several recommendations that, if fully implemented, could help the Department manage its mobile device efforts in a cost-effective manner. Furthermore, because our review did

not cover all Department locations, we believe our estimated potential savings of \$2.3 million over a 3-year period is conservative.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)
Staff:
Staff:

- **Audit Report on Department of Energy's Management of Unneeded Real Estate (OAS-L-14-07, April 14, 2014)**

In order to manage its real property assets, the Department of Energy (Department) utilizes the Facilities Information Management System (FIMS). The Office of Acquisition and Project Management (OAPM), under the Department's Office of Management, has primary responsibility for the administration and maintenance of the FIMS database, which provides the Department with an inventory and management tool that assists with planning and managing all real property assets.

Our review determined that the Department had a number of controls in place to manage the disposition of Department-owned real estate properties. Nothing came to our attention to indicate that the Department did not comply with the Presidential initiative to reduce the number of excess properties.

We found that the Department had processes in place for identifying and disposing of excess properties, as well as processes for accumulating and reporting on the associated cost avoidance. Additionally, we noted the Department reported that it had exceeded the cost savings goal for FYs 2010 through 2012, through overall cost avoidance of \$580 million. However, we found that opportunities for improving processes related to managing excess properties still exist. We did not make any recommendations in the report.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(5)

- **Audit Report on Performance Audit of the Department of Energy's Improper Payment Reporting in the Fiscal Year 2013 Agency Financial Report (OAS-F5-14-08, April 15, 2014)**

We contracted with the independent public accounting firm of KPMG LLP, to express an opinion on whether the Department of Energy (Department) met the U.S. Office of Management and Budget's criteria for compliance with the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). The objective of this audit was to complete an evaluation of the accuracy and completeness of agency reporting and evaluate agency performance in reducing and recapturing improper payments under IPERA. KPMG expressed the opinion that the Department complied with all requirements of IPERA. Furthermore, KPMG identified two opportunities for improvement that could further enhance the agency's assessment of improper payments. Management noted that the enhancements will be implemented in the Department's Fiscal Year 2014 improper payment assessment process.

Team Leader: (b)(6)
Technical Monitor: (b)(6)

Staff:

(b)(6)

- **Audit Report on *Audit of Incurred Costs for UT-Battelle under Department of Energy Contract No. DE-AC05-00OR22725 during Fiscal Year 2012* (OAS-M-14-05, April 21, 2014)**

We contracted with the independent certified public accounting firm KPMG LLP, to determine whether UT-Battelle's incurred cost to manage and operate Oak Ridge National Laboratory (ORNL) for the term October 1, 2011 through September 30, 2012, were allowable, allocable and reasonable. Since 2000, UT-Battelle has managed and operated ORNL under contract with the Department of Energy. During fiscal year 2012, UT-Battelle incurred and claimed \$1,532,200,040. KPMG concluded that UT-Battelle prepared its fiscal year 2012 Statement of Costs Incurred and Claimed in accordance with applicable guidance including Federal Acquisition Regulation, Department of Energy Acquisition Regulations and Cost Accounting Standards regarding accuracy, allowability, allocability and reasonableness of incurred costs. However, KPMG identified several issues related to unallowable costs. In addition, KPMG noted certain internal control weaknesses.

- **Audit Report on *Assessment of Audit Coverage of Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94AL85000 for Fiscal Years 2011 and 2012* (OAS-V-14-10, April 23, 2014)**

Since October 1993, Sandia Corporation, a Lockheed Martin company, has operated the Sandia National Laboratories (SNL) for the Department of Energy (Department) and National Nuclear Security Administration. SNL is a multi-program laboratory with critical national security responsibilities, which include research and production to help ensure the safety, security and reliability of the Nation's nuclear weapons stockpile. SNL incurred and claimed costs of \$1.6 billion in Fiscal Year (FY) 2011 and \$2.4 billion in FY 2012. SNL's contract requires it to account for costs incurred annually on its Statement of Costs Incurred and Claimed.

Based on our assessment, nothing came to our attention to indicate that the allowable cost audit work performed by SNL Internal Audit for FYs 2011 and 2012, could not be relied on. We did not identify any material internal control weaknesses with cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing. While we did not identify any material internal control weaknesses with either cost allowability or subcontract audit, we are questioning \$1,061,115 of costs identified and questioned by Internal Audit and Contract Audit that have not been resolved.

Team Leader:

(b)(6)

AIC:

(b)(6)

Staff:

(b)(6)

Staff:

DRAFT REPORTS ISSUED:

OTHER AUDIT/INSPECTION ACTIVITIES:

- The Eastern Audits Division would like to welcome Amy Moles back to the Office of Inspector General. After working 11 years for the Office of Inspector General, Amy left to take a position at Tennessee Valley Authority. While at TVA, Amy earned her MBA from King College and her Project Management Professional Certification. She is a licensed CPA in the State of Tennessee and is also a Certified Internal Auditor. She has two fabulous dogs that she loves to spend time with named Casey and Josie. She also has two (b)(6) she loves to spoil. She is married to

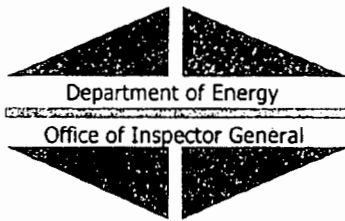
(b)(6) who works in sales. Amy will be working for Frank Ellison and looks forward to making a positive impact for the Department of Energy.

ANNOUNCEMENTS:

- The 2014 DOE Harassment Prevention course is designed to address the importance of the prevention of harassment, discrimination, and retaliation in the workplace, as well as to inform Federal employees about the equal employment opportunity complaint process. This course must be completed by May 5, 2014.
- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."
- Congratulations to (b)(6) (Oak Ridge Audits) and (b)(6) on the birth of their (b)(6) born at 5:01 pm on (b)(6) 2014. Everyone is doing well.

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Weekly Activity Report Office of Audits and Inspections

April 25 – May 9, 2014

FINAL REPORTS ISSUED:

- Audit Report on Implementation of Recommendations from the January 2012 Independent Consultant's Review of the Department of Energy Loan and Loan Guarantee Portfolio (DOE/IG-0909, May 7, 2014)

The Department of Energy's Loan Programs Office was created to accelerate the domestic commercial deployment of innovative and advanced clean energy technologies. As of April 2014, the Program oversaw a loan portfolio of approximately \$30 billion made through 31 loans and loan guarantees. An independent consultant's report, issued in January 2012, identified areas for Program improvement and provided 12 overall recommendations aimed at enhancing the oversight and management of the Program. We received a complaint alleging that the Program had not fully implemented the consultant's recommendations.

The allegations were not substantiated. Specifically, the Department had completed actions to address 4 of the report's 12 recommendations and initiated actions in response to the remaining 8 recommendations. While the Department had made substantial progress in implementing recommended improvements, we were unable to make a determination as to whether these efforts would ultimately be fully effective to address all of the issues identified by the consultant, because a number of actions, such as clarifying authorities, establishing an external advisory board, and incorporating lessons learned were still ongoing.

Team Leader: (b)(6)
Auditor-In-Charge: (b)(6)
Staff: (b)(6)

DRAFT REPORTS ISSUED:

OTHER AUDIT/INSPECTION ACTIVITIES:

ANNOUNCEMENTS:

- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."
- There is an annual ethics training requirement for all Federal employees. To meet the training requirement this year, all DOE employees must attend an *in person* ethics training. The following in-person training opportunities are being made available to HQ and Field OIG employees:

- 1) June 2 at 10am in Rm 6E-069 and via teleconference/WebEx

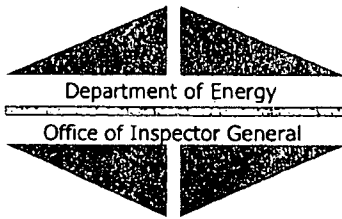
- 2) June 12 at 3pm in Rm 6E-069 and via teleconference/WebEx
- 3) July 1 at 3pm in Rm 1E-245 and via teleconference/WebEx

Employees located in the field will participate in the meetings via teleconference/WebEx. The logistics of the teleconference/WebEx will be provided closer to the dates of each event.

We need to limit the number of participants at each session to ~75 employees. Please contact Brandy Beckham at brandy.beckham@hq.doe.gov **no later than Friday, May 16** to register for 1 of the 3 available classes.

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Weekly Activity Report

Office of Audits and Inspections

May 22 – May 28, 2014

FINAL REPORTS ISSUED:

- Audit Report on Kansas City Plant's Vendor Quality Assurance (OAS-L-14-08, May 21, 2014)

The National Nuclear Security Administration's Kansas City Plant, managed and operated by Honeywell Federal Manufacturing & Technologies, LLC (Honeywell), is the primary production site for non-nuclear weapon products. These products must meet demanding specifications and stringent quality requirements. In April 2013, during an on-site review of one of Honeywell's vendors, Honeywell and Sandia National Laboratories discovered that the vendor had deviated from Design Agency requirements on parts supplied to the Plant. In May 2013, Honeywell officials notified the Office of Inspector General of the vendor substitution issue. In response, we initiated this audit to determine whether Honeywell's quality assurance program for vendors was operating effectively to meet Design Agency requirements.

Nothing came to our attention to indicate that Honeywell's quality assurance program did not ensure Design Agency requirements were met. Specifically, Honeywell had implemented and NNSA had approved a quality assurance program as required, performed inspections on parts received from vendors, and documented nonconforming parts when they were identified. In addition, during the same period as our audit, we noted that Honeywell had initiated its own review of the vendor substitution issue to evaluate the impact of the substituted parts. Although Honeywell believed that its overall vendor quality assurance program was effective, it issued two Corrective Action Reports, which identified certain enhancements that would further ensure that Design Agency requirements continued to be met.

Assistant Division Director: (b)(6)

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

ANNOUNCEMENTS:

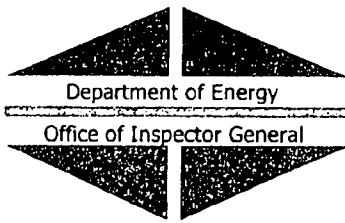
- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."
- There is an annual ethics training requirement for all Federal employees. To meet the training requirement this year, all DOE employees must attend an *in person* ethics training. The following in-person training opportunities are being made available to HQ and Field OIG employees:
 - 1) June 12 at 3pm in Rm 6E-069 and via teleconference/WebEx
 - 2) July 1 at 3pm in Rm 1E-245 and via teleconference/WebEx

Employees located in the field will participate in the meetings via teleconference/WebEx. The logistics of the teleconference/WebEx will be provided closer to the dates of each event.

We need to limit the number of participants at each session to ~75 employees. Please contact Brandy Beckham at brandy.beckham@hq.doe.gov as soon as possible to register for 1 of the 2 available classes.

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

May 22 – May 28, 2014

FINAL REPORTS ISSUED:

- **Audit Report on Kansas City Plant's Vendor Quality Assurance (OAS-L-14-08, May 21, 2014)**

The National Nuclear Security Administration's Kansas City Plant, managed and operated by Honeywell Federal Manufacturing & Technologies, LLC (Honeywell), is the primary production site for non-nuclear weapon products. These products must meet demanding specifications and stringent quality requirements. In April 2013, during an on-site review of one of Honeywell's vendors, Honeywell and Sandia National Laboratories discovered that the vendor had deviated from Design Agency requirements on parts supplied to the Plant. In May 2013, Honeywell officials notified the Office of Inspector General of the vendor substitution issue. In response, we initiated this audit to determine whether Honeywell's quality assurance program for vendors was operating effectively to meet Design Agency requirements.

Nothing came to our attention to indicate that Honeywell's quality assurance program did not ensure Design Agency requirements were met. Specifically, Honeywell had implemented and NNSA had approved a quality assurance program as required, performed inspections on parts received from vendors, and documented nonconforming parts when they were identified. In addition, during the same period as our audit, we noted that Honeywell had initiated its own review of the vendor substitution issue to evaluate the impact of the substituted parts. Although Honeywell believed that its overall vendor quality assurance program was effective, it issued two Corrective Action Reports, which identified certain enhancements that would further ensure that Design Agency requirements continued to be met.

Assistant Division Director: (b)(6)
Team: (b)(6)
AIC: (b)(6)
Staff: (b)(6)
Staff: (b)(6)

- **Audit Report on Cost and Schedule of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site (DOE/IG-0911, May 22, 2014)**

In September 2000, the United States and Russia signed a Plutonium Management and Disposition Agreement for the disposal of surplus weapons-grade plutonium. This agreement called for each country to dispose of at least 34 metric tons of plutonium by converting it into mixed oxide fuel that can be used in commercial nuclear power reactors. To carry out this program, the Department of Energy (Department) decided to construct the Mixed Oxide Fuel Fabrication Facility (MOX Facility) at the Savannah River Site near Aiken, South Carolina. Shaw AREVA MOX Services, LLC (MOX Services), the current Facility contractor, has been working on the design of the facility since 1999.

The National Nuclear Security Administration (NNSA) and MOX Services have been largely unsuccessful in controlling the cost and schedule for the MOX Facility. A March 2012 construction project review conducted by NNSA concluded that the MOX Facility had a very low probability of

being completed according to the approved baseline. NNSA directed MOX Services to develop a baseline change proposal with updated project completion, cost and schedule projections. Under the revised baseline, it was estimated that total project costs would grow to about \$7.7 billion and that completion would slip to November 2019. This represents cost growth of about \$2.9 billion and project schedule slippage of over 3 years.

The anticipated cost and time required to complete the MOX Facility were significantly underestimated due to a number of factors. This included, most prominently, the Department's 2007 approval of a project baseline that was developed from an immature design, understating the level of effort to install various construction commodity items, and high personnel turnover rates. Prior to approval, the Department's own independent review of the project baseline found that the design review of the MOX Facility was incomplete. We also noted that additional work scope added at NNSA's direction caused some of the cost growth in the baseline change proposal developed by MOX Services. Despite project expenditures of about \$4 billion and a proposal to place the MOX Facility construction project into cold standby status in fiscal year 2015, we remain concerned with the project management issues observed during the audit.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)
Staff: (b)(6)

- **Audit Report on The Department of Energy's Public Dissemination of Research Results (DOE/IG-0912, May 22, 2014)**

The Department of Energy invests over \$11 billion annually in research and development. A significant portion of this funding is provided through financial assistance awards to academic institutions, small businesses, and others. The *Atomic Energy Act of 1946* and subsequent laws and regulations encouraged the dissemination of Department-sponsored research results, when appropriate. The Department's mandate to publicly disseminate unclassified research results is fulfilled by the Office of Science's Office of Scientific and Technical Information in Oak Ridge, Tennessee. The results of research funded by the Department are submitted to Energy Link, the Department's system for collecting, reviewing and releasing technical reports and other forms of scientific and technical information.

Our review revealed that Department-funded science and energy research results were not always properly disseminated to the public. We found that financial assistance recipients had not always submitted final technical reports to the responsible office, unrestricted reports submitted to Energy Link were not always reviewed and subsequently released publicly, and reports were not released after the expiration of associated data protection periods.

These issues occurred due to weaknesses in the Department's processes for monitoring receipt of final reports from recipients, reviewing and releasing reports that have been received, addressing processing errors that prevent receipt or release of reports, and identifying and releasing reports upon expiration of data protection periods. Management generally concurred with our recommendations and identified planned actions or action already completed to address these issues.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

ANNOUNCEMENTS:

- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."
- There is an annual ethics training requirement for all Federal employees. To meet the training requirement this year, all DOE employees must attend an *in person* ethics training. If you have not signed up for one of the training sessions, please do so immediately. The following training opportunity is the only available training session:

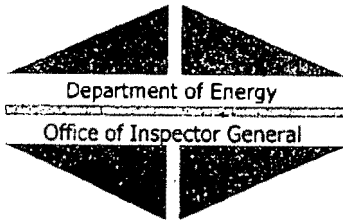
1) July 1 at 3pm in Rm 1E-245 and via teleconference/WebEx

Employees located in the field will participate in the meetings via teleconference/WebEx. The logistics of the teleconference/WebEx will be provided closer to the dates of each event.

Please contact Brandy Beckham at brandy.beckham@hq.doe.gov as soon as possible to register for the available class.

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Team Leaders



Weekly Activity Report Office of Audits and Inspections

June 9 – June 13, 2014

FINAL REPORTS ISSUED:

- Inspection Report on Allegations Regarding Personnel Security Concerns at Oak Ridge National Laboratory (INS-O-14-02, June 4, 2014)

Oak Ridge National Laboratory (ORNL) is the largest science and energy national laboratory in the Department of Energy (Department). UT-Battelle, LLC manages ORNL and, as of October 2013, has over 6,000 employees, including subcontractors. We received a request from the Office of Science to review a complaint alleging that: (1) a senior ORNL employee continued to maintain access to Sensitive Compartmented Information (SCI) after changing employment status from full-time to casual employee without proper justification; and (2) ORNL declined to implement a recommendation to conduct criminal history background checks on all subcontractors working on-site for more than 30 days.

We did not substantiate the access to SCI related allegation. However, we identified several weaknesses regarding processes used to debrief individuals with SCI access and to report overseas employment of those holding active security clearances. Further, we substantiated the allegation that ORNL declined to implement the recommendation to conduct criminal history background checks on all subcontractors working on-site for more than 30 days. However, we determined that background checks were not required for subcontractors working in an unclassified area.

Improper administrative debriefings occurred because management officials at the Department's Office of Intelligence and Counterintelligence (Headquarters Intelligence) did not fully implement the Sensitive Compartmented Information Debriefing Policy No. 001-06, *Sensitive Compartmented Information Debriefing Policy*. Headquarters Intelligence officials told us they were unaware of the policy and that more needs to be done to ensure Special Security Officers properly conduct SCI debriefs. We are troubled that Headquarters Intelligence officials were not cognizant of existing policy requirements, especially when a number of Department Office of Inspector General inspection reports over the years have highlighted problems regarding administrative debriefings. We believe improvements are warranted in these areas and have made recommendations designed to assist management in ensuring that classified information with restrictions is properly protected.

Team Leader – (b)(6),(b)(7)(C)
Project Lead – (b)(6),(b)(7)(C)
Staff – (b)(6),(b)(7)(C)

- Audit Report on Follow-Up Audit of the Los Alamos Neutron Science Center (OAS-M-14-06, June 4, 2014)

The primary mission of Department's Los Alamos Neutron Science Center (LANSCE), located at Los Alamos National Laboratory (LANL), is to support the NNSA's Stockpile Stewardship activities by conducting experiments that provide valuable insight on the status of the Nation's aging nuclear weapons, including information critical to decisions made in the life extension programs. To address the needed refurbishment of LANSCE, NNSA developed the Linac Risk Mitigation

Strategy to increase the reliability of the accelerator and restore its designed performance levels.

Our review disclosed that LANL was generally meeting milestones as scheduled, executing work within budget, and had implemented some project oversight tools. While LANL met milestones for refurbishing LANSCE and executed work within budget, we observed that the Linac Risk Mitigation Strategy is facing challenges that may hinder its ability to improve the reliability of the facility and restore performance levels of the accelerator. Further, we found that LANL did not adhere to the Department's requirements contained in Department Order 413.3B, *Program and Project Management for the Acquisition of Capital Assets*, or employ all project management tools.

Given the importance of LANSCE, we recommend that the Manager, Los Alamos Field Office, require LANL to immediately bring the Linac Risk Mitigation Strategy — and other projects of similar magnitude — into full compliance with Department Order 413.3B. NNSA management concurred with our finding and recommendation and the need for increased visibility and management of all NNSA projects. Management further stated that it had already begun implementation of corrective actions.

Division Director: (b)(6)
Assistant Director: (b)(6)
Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

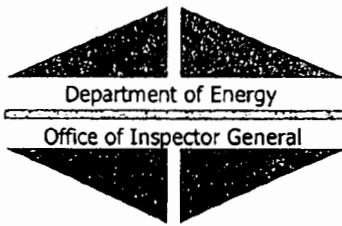
OTHER AUDIT/INSPECTION ACTIVITIES:

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- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."

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Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

June 4 – June 13, 2014

FINAL REPORTS ISSUED:

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Project Lead – (b)(6), (b)(7)(C)
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Division Director: (b)(6)
Assistant Director: (b)(6)
Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

OTHER AUDIT/INSPECTION ACTIVITIES:

- An entrance conference was conducted on June 9, 2014, for the audit of the *Department of Energy's Cybersecurity Continuous Monitoring Process*. The objective of the audit is to determine whether the Department's cybersecurity continuous monitoring process was effectively implemented. Representatives from the Office of Inspector General, Office of the Chief Information Officer, National Nuclear Security Administration and several of the Department's Programs attended.

ANNOUNCEMENTS:

- The 2014 Annual Cyber Security Awareness Course is a mandatory training for all Federal employees. This training must be completed by June 20, 2014. To access the course logon to OLC and search for "2014 Annual Cyber Security Awareness."

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Counsel to the Inspector General
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Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections

Director for Planning, Administration & Quality Assurance

Division Directors

Assistant Division Directors

Team Leaders



Department of Energy
Washington, DC 20585

SEP 30 2015

Re: Freedom of Information Act Request HQ-2014-01252-F

This is the Office of Inspector General (OIG) final response to your request for information that you sent to the Department of Energy (DOE) under the Freedom of Information Act (FOIA), 5 U.S.C. § 552. You asked for the following:

"[A] copy of the Dep[artment] of Energy OIG Weekly Activity Reports for the time period January 1, 2011 through the present."

At this time we have identified eight (8) documents responsive to your request. Previously, on June 1, 2015, you were provided with the first two (2) responsive documents. A review of the responsive documents and a determination concerning their release has been made pursuant to the FOIA. Based on this review, the OIG determined that certain material has been withheld from the responsive documents pursuant to subsections (b)(5), (b)(6), (b)(7)(A), and (b)(7)(C) of the FOIA (referred to as Exemptions 5, 6, 7(A), and 7(C), respectively). Specifically, the OIG review determined:

- Documents 3, 5, and 8 are being released to you with certain material withheld pursuant to Exemptions 5 and 6.
- Documents 4, 6, and 7 are being released to you with certain material withheld pursuant to Exemptions 6, 7(A), and 7(C).

Exemption 5 exempts from mandatory disclosure "inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency. . . ." Exemption 5 incorporates the deliberative process privilege which protects recommendations, advice, and opinions that are part of the process by which agency decisions and policies are formulated.

The information redacted under Exemption 5 reflects the advisory opinions between subordinates and their management. The OIG has determined that the disclosure of material withheld pursuant to Exemption 5 is not in the public interest. In this case, the disclosure of pre-decisional deliberative material would inhibit frank and open discussion of the matter and would hinder the Government's ability to reach sound and well-reasoned solutions.



Exemption 7(A) permits the withholding of “records of information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information (A) could reasonably be expected to interfere with enforcement proceedings...” The material that is withheld pursuant to 7(A) includes documents pertaining to an ongoing investigation. Since there has been no final determination concerning these matters, Exemption 7(A) has been applied to the documents. Release of the withheld material at this time could prematurely reveal evidence and interfere with the ongoing enforcement proceeding.

Exemption 6 protects from disclosure “personnel and medical and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy. . . .” Exemption 7(C) provides that “records or information compiled for law enforcement purposes” may be withheld from disclosure, but only to the extent the production of such documents “could reasonably be expected to constitute an unwarranted invasion of personal privacy. . . .”

Names and information that would tend to disclose the identity of certain individuals have been withheld pursuant to Exemptions 6 and 7(C). Individuals involved in the OIG enforcement matters, which in this case include subjects, witnesses, sources of information, and other individuals, are entitled to privacy protections so that they will be free from harassment, intimidation and other personal intrusions.

Under Title 10, Code of Federal Regulations (C.F.R.), subsection 1004.1, the DOE will make available records, which it is authorized to withhold under the FOIA, whenever it determines that disclosure is in the public interest. In invoking Exemption 7(A), we have concluded that it is not in the public interest to disclose material relating to an ongoing law enforcement proceeding. We have determined that it is not in the public interest to release investigative information when, as in this case, release could tend to prematurely disclose enforcement efforts, or provide individuals involved an opportunity to fabricate defenses, destroy evidence, intimidate actual or potential witnesses, or otherwise impede an appropriate resolution of the enforcement matter.

In invoking Exemptions 6 and 7(C), we have determined that it is not in the public interest to release the withheld material. In this request, we have determined that the public interest in the identity of individuals, whose names appear in these files, does not outweigh such individuals’ privacy interests. Those interests include being free from intrusions into their professional and private lives.

As required, all releasable information has been segregated from the material that is withheld and is provided to you. See 10 C.F.R. § 1004.7(b)(3).

This decision may be appealed within 30 calendar days from your receipt of this letter. Pursuant to 10 C.F.R. § 1004.8, appeals should be addressed to the Director, Office of Hearings and Appeals, HG-1/L’Enfant Plaza Building, U.S. Department of Energy, 1000 Independence Avenue, SW, Washington, DC 20585-1615. You may also submit your appeal by e-mail to OHA.filings@hq.doe.gov, including the phrase “Freedom of Information Appeal” in the subject line.

Thereafter, judicial review will be available to you in the Federal district court either (1) in the district where you reside, (2) where you have your principal place of business, (3) where the DOE records are situated, or (4) in the District of Columbia.

Sincerely,

John E. Dupuy FOR

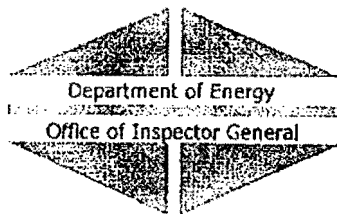
John E. Dupuy
Assistant Inspector General
for Investigations
Office of Inspector General

Daniel M. Weeber

Daniel M. Weeber
Assistant Inspector General
for Audits and Administration
Office of Inspector General

Enclosures

Document Number 3



Weekly Activity Report Office of Audits and Inspections

Ending April 12, 2013

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *The Department of Energy's Use of the Environmental Management Waste Management Facility at the Oak Ridge Reservation* (DOE/IG-0883, March 9, 2013)

- ❑ The Environmental Management Waste Management Facility (EMWMF) is an above-ground waste disposal facility designed to meet the requirements of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Oak Ridge Office of Environmental Management (OREM) manages the Department of Energy's (Department) contract with URS | CH2M Oak Ridge, LLC (UCOR), which has operated EMWMF since August 2011.
- ❑ We found that OREM had not maximized its use of available capacity at EMWMF, and as a consequence, may incur more than \$14 million in unnecessary disposal costs. Specifically, OREM permitted its contractors to send minimally contaminated waste to EMWMF that may have otherwise been acceptable for disposal in the sanitary landfill at a much lower cost per unit. For example, contractor officials told us that from fiscal years 2002 through 2011, they had disposed of 140,000 cubic yards of material (minimally contaminated waste plus required fill) at EMWMF that likely could have been disposed of in the sanitary landfill at a much lower cost per unit.
- ❑ The Department of Energy (Department) had not established site-specific surface authorized limits for determining when certain types of minimally contaminated waste could be disposed of in sanitary landfills rather than in EMWMF. In the absence of such site-specific authorized limits, certain surface-contaminated wastes have been disposed of at EMWMF that potentially could have been safely disposed at sanitary landfills. Maintaining this approach could ultimately and unnecessarily utilize 11 percent of EMWMF's waste disposal capacity.
- ❑ During the course of our audit, UCOR recognized the issues we discovered and implemented procedures compliant with Department and landfill permit requirements to allow more waste to be disposed in the sanitary landfill; however, we believe that additional action is necessary to improve efficiency of waste disposal operations and conserve EMWMF capacity.
- ❑ Environmental Management generally concurred with the report and its comments were responsive to our recommendations.

(b)(6)

Assistant Director:

Team Leader:

Staff:

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Audit Report on the *Management of Naval Reactors' Cyber Security Program* (DOE/IG-0884, April 12, 2013)

- The Naval Reactors Program (Naval Reactors), an organization within the National Nuclear Security Administration, provides the military with safe and reliable nuclear propulsion plants to power warships and submarines. Naval Reactors maintains responsibility for activities supporting the United States Naval fleet nuclear propulsion systems, including research and design, operations and maintenance and the ultimate disposition of the nuclear propulsion plants. Both the Department of Energy and the Department of Navy fund Naval Reactors. To fulfill its mission, Naval Reactors utilizes numerous information systems that reside on both classified and unclassified networks.
- Previous Office of Inspector General reviews of Naval Reactors related to our *Federal Information Security Management Act of 2002* evaluations identified certain security weaknesses related to access controls and contingency planning.
- We found that Naval Reactors' vulnerability management controls and processes were not fully effective in applying security patches for all desktop and network applications. For example, although the program had taken action to correct the vast majority of vulnerabilities identified during scans performed in July 2011, our current review disclosed 335 high and medium risk vulnerabilities. Naval Reactors officials were unable to provide us with information regarding the age of the identified weaknesses due to the lack of an adequate corrective action tracking mechanism.
- Naval Reactors had made a number of enhancements to its cyber security program over the past several years, however, we identified weaknesses related to vulnerability management, access controls, incident response and security awareness training that could negatively affect its security posture. For instance, controls over access to information and systems at Naval Reactors were not always operating effectively.
- The weaknesses identified occurred, in part, because Naval Reactors had not ensured that necessary cyber security controls were fully implemented. Specifically, officials had not fully developed and/or implemented policies and procedures related to vulnerability management, access controls, incident response and cyber security training. In addition, Naval Reactors had not always effectively utilized Plans of Action and Milestones to track, prioritize and remediate cyber security weaknesses.
- In response, management generally concurred with the report's recommendations and indicated that corrective actions had been taken or were planned to address the weaknesses identified.

(b)(6)

Team Leader:

AIC:

Audit Staff:

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LETTER REPORTS ISSUED THIS WEEK:

Audit Report on the *Allocation of Direct and Indirect Costs – Cost Accounting Standard 418* – at Lawrence Livermore National Laboratory (OAS-L-13-07, April 11, 2013)

- The Office of Inspector General contracted with an independent certified public accounting firm, KPMG, to determine if Lawrence Livermore National Laboratory's (Livermore) policies, procedures, and practices used to estimate, accumulate, and report costs on Government contracts and subcontracts complied with the requirements of Cost Accounting Standard (CAS) 418 for Fiscal Year 2012.
- CAS 418 requires contractors to be consistent in the way they classify costs as direct or indirect and to maintain a written statement of accounting policies and practices for classifying direct and indirect costs, establishes criteria for accumulating indirect costs in homogeneous indirect cost pools, and provides guidance on allocating indirect cost pools to cost objectives in reasonable proportion to the beneficial or causal relationships of the pooled costs to cost objectives.
- Livermore's written policies and procedures relevant to CAS 418 compliance include cost accounting changes, determining direct versus indirect costs, monitoring and processing cost transfers, time and effort reporting, monitoring and liquidating indirect variances, and policies and procedures relating to the composition of each indirect cost pool.
- KPMG found that Livermore's policies and procedures were complete with regard to the areas required to support compliance with CAS 418. KPMG tested Livermore's current use of its policies and procedures governing cost accounting changes, monitoring and liquidating indirect rate variances, monitoring and processing cost transfers, and the composition of homogeneous cost of select indirect cost pools.
- KPMG did not identify any findings as a result of the work performed; therefore, no recommendations were made in the report.

(b)(6)

Technical Monitor:

DRAFT REPORTS ISSUED THIS WEEK:

Special Review of Cost Incentives for the Department's Cleanup Contract in Idaho (A13RA002)

- In Fiscal Year 2005, the Department of Energy (Department) awarded a Cost-Plus-Incentive-Fee contract to CH2M ♦ WG Idaho, LLC (CWI) to lead environmental cleanup of its Idaho National Laboratory site. The contract originally ran from May 1, 2005 through September 30, 2012 and has been extended for 3 years to September 30, 2015. The contract had a target cost of \$2.7 billion and a target fee of \$196 million (7.36 percent of target cost). The contract includes an additional incentive if work is completed under target cost, in which the fee will be increased by 30 cents for every dollar that the total allowable cost is less than the target cost.
- In addition to the target work to be completed within the contract, additional non-target work was allowed under section B.5 of the contract. When the contract was originally approved, the Department anticipated that the amount of additional non-target work would be approximately \$89 million. However, the amount of non-target work completed ultimately increased to about \$510 million, with the largest increase attributable to work funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The

Department and CWI are now negotiating to close out the agreed upon scope of work covered by the contract performance period that ended September 30, 2012, and to calculate fee based upon the cost to complete this work.

- ❑ During our review, nothing came to our attention to indicate that General and Administrative (G&A) costs had not been properly allocated to the non-target work. In accordance with its Cost Accounting Disclosure Statement, CWI allocated about \$128 million in G&A expenses to its non-target work, which was about \$88 million more than originally planned for the contract. This allocation reduced the G&A expense allocated to CWI's target work, thereby reducing the total costs of target work.
- ❑ The contractor contends the allocation served to reduce the actual cost of target work scope, and as a consequence, it is entitled to earn fee at the target work scope rate on the allocated amount. During the audit, however, we learned that the Department disagreed with impact of the G&A allocation on the incentive fee and was in a dispute with CWI regarding its overall fee.
- ❑ Based on the totality of the information we reviewed, we concluded that the contract modifications accepted by CWI disclosed that its fee earning potential in this area was undefinitized. While the Department did not act to definitize the contract promptly, it asserted that it preserved its right to do so by including instructions regarding fee determination in the modification to the contract that provided Recovery Act funding. We also noted that the contractor accepted the modification and performed the work it was tasked to do. The Department's notice to the contractor regarding the fee was, in effect, ultimately definitized when it rendered its decision not to pay an incentive fee related to the allocation of G&A costs to B.5 work scope funded by the Recovery Act.
- ❑ We recommend that the Manager, Idaho Operations Office, direct the Contracting Officer to review and finalize CWI's final contract claim.

(b)(6)

Team Leader:

AIC:

Staff:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

- On April 2, 2013, an entrance conference was conducted for Audit of the Department's Long Term Storage of Cesium and Strontium. The objective of the audit is to determine whether the Department of Energy is effectively managing the long term storage of cesium and strontium capsules at the Hanford site. This audit will be conducted at the Richland Operations Office, the Waste Encapsulation and Storage Facility and the CH2M Hill Plateau Remediation Company (CHPRC) at the Hanford site. The conference took place at the Richland Operations Office. Representatives from the Richland Operations Office and CHRPC were in attendance.

(b)(6)

Team Leader:

AIC:

Staff:

- An entrance conference was held on Thursday, April 11, 2013 for the Assessment of Audit Coverage of Cost Allowability for Los Alamos National Laboratory for Fiscal Year 2011. The purpose of the assessment is to determine (1) Internal Audit conducted cost allowability audits that complied with professional standards and could be relied up; (2) the contractor conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and (3) the questioned costs and internal control weaknesses impacting allowable costs identified in audits and reviews have been adequately resolved. In attendance were representatives from the Office of Inspector General, NNSA's Headquarters and Albuquerque Complex, the Los Alamos Site Office and Los Alamos National Laboratory.

(b)(6)

Team Leader:

AIC:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

- The Western Audit Division's Y-12 and ORNL Audit Group welcomed two new auditors, Ms. Angela Roberts and Ms. Sarah Walls. Ms. Roberts will receive a Master's Degree in Accounting from East Tennessee State in Johnson City, Tennessee, where she has lived for several years. A Florida native, she previously worked in the healthcare industry. Ms. Walls will receive a Master's Degree in Accounting from Tennessee Technological University in Cookeville, Tennessee. Her prior work experience is in the underwriting field. The team is very happy to have both of them on board.

- The Western Region Inspections Office in Albuquerque welcomed Joe Tarango. Joe earned a Bachelor's Degree in Accounting from the University of New Mexico and is currently pursuing his master's degree. Joe is a native New Mexican, born in [REDACTED] (b)(6) [REDACTED] His recent work experience included 2 years as an Auditor with the State of New Mexico Taxation and Revenue Department. Joe is single and enjoys automobiles, basketball and outdoor activities such as camping and fishing.

- The Western Region Inspections Office in Albuquerque welcomed Louie Gomez. Louie earned a Bachelor's and Master's Degrees in Accounting from the University of New Mexico. Louie is a native New Mexican, born in [REDACTED] His recent work experience includes six and a half years as an Audit Supervisor with the State of New Mexico Taxation and Revenue Department in Albuquerque. He will be getting married in August. Louie enjoys baseball and anything pertaining to the outdoors. (b)(6)

- The Oak Ridge Inspections Group welcomed Brock Kinsler. Brock earned his Bachelor's and Master's Degrees in Accounting from East Tennessee State University. His recent work experience includes approximately 4 years as a Revenue Agent with the Internal Revenue Service. He is married and his hobbies include watching and playing a variety of sports.

- The Oak Ridge Inspections Group welcomed Michael Reber. Michael earned a Bachelor's Degree in Accounting from East Tennessee State University. His recent work experience includes approximately 4 years as a Revenue Agent with the Internal Revenue Service. He is married to [REDACTED] and hobbies include whitewater kayaking, mountain biking, basketball and bowling. (b)(6)

- The Oak Ridge Inspections Group welcomed Curtis Boston. Curtis earned a Master's Degree in Accounting from Valdosta State University. Prior to college, he proudly served in the U.S. Navy as a Sonar Technician for four years. He is married to [REDACTED] his high school sweetheart, and they have a [REDACTED] His hobbies include spending quality time with his family. (b)(6)

- The Oak Ridge Audit Group, Eastern Audits Division welcomed Stephanie Barber. Stephanie earned a Master's Degree in Accounting from the University of Memphis. She previously worked as an Auditor for the Defense Contract Audit Agency and as an Accountant for the U.S. Army Corps of Engineers. Stephanie and her husband enjoy playing with their two dogs.

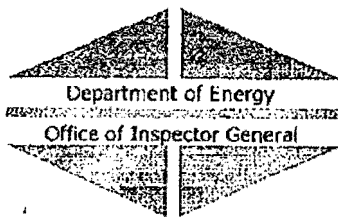
- The Chicago Audit Group welcomed Bob Kettner. Bob comes to us from the Edward Hines VA Hospital, where he was an accountant. Prior to that, he held various accounting and auditing positions and served in the Marine Corps. Bob enjoys fishing in his spare time.

JOYS, CARES, CONCERNS:

(b)(6) Congratulations to [redacted] with the Livermore Audit Group, and her
(b)(6) husband [redacted] on the birth of their [redacted] was born on [redacted] 2013 (b)(6)
(b)(6) [redacted] All are doing well.

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending April 26, 2013

FINAL REPORTS ISSUED THIS WEEK:

Special Report on *Management and Operating Contractors' Subcontract Audit Coverage*
(DOE/IG-0885, April 17, 2013)

- The Department of Energy (Department) employs 28 Management and Operating (M&O) contractors that perform essential mission work under cost reimbursable contracts. To achieve the Department's mission, M&O contractors often utilize the services of subcontractors, which are also funded by the Department. When these subcontracts are structured as cost-type, including time and materials, and cost reimbursable subcontracts, M&O contractors are contractually required to ensure that associated costs incurred are audited to provide assurance that the costs are allowable. The M&O contractors may use their internal audit staff, engage contract auditors, or use the services of the Defense Contract Audit Agency to audit the subcontractors. Internally performed audits must, at a minimum, meet professional standards prescribed by the Institute of Internal Auditors. M&O contractors presumably rely on audits of subcontractors when completing required annual certifications that all of their incurred costs are allowable.
- The Office of Inspector General (OIG) identified contract management as a management challenge in its report on *Management Challenges at the Department of Energy* (DOE/IG-0874, October 2012). The Department has committed to improving contract management and we recognize that such a significant issue requires a concerted effort over time. The objective of this report is to highlight the issues we identified in previous reports and stress the need for a top-down emphasis to ensure that all M&O contractors develop robust procedures for subcontract audits.
- Between 2010 and 2012, the OIG reported subcontract audit weaknesses with nine M&O contractors. Subcontracts valued in excess of \$906 million had not been audited or were reviewed in a manner that did not meet audit standards. The subcontract costs were not audited because the Department did not ensure that its M&O contractors developed and implemented procedures to meet their contractual requirements. For example, although the M&O contractors are contractually required to conduct or arrange for audits of their cost-type subcontracts, Los Alamos National Laboratory's approved audit strategy only required audits of subcontracts with annual incurred costs that exceeded \$15 million. Under this threshold, only 2 of 1,404 subcontracts were required to be audited.
- We noted that while some sites have taken action in response to our reports, we believe that a greater Department-wide emphasis on auditing cost-type subcontracts is needed. In response to our report, management concurred with the findings and recommendations and agreed to take corrective actions.

(b)(6)

Assistant Division Director:
Team Leader:

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Special Inquiry on *Alleged Mismanagement of the Department of Energy's Executive Protection Operations* (INS-SR-13-02, April 15, 2013)

- ☛ The Office of Special Operations (Special Operations) has primary responsibility for the protection and evacuation of the Secretary of Energy and other executive personnel as designated by the Secretary. Special Operations, a part of the Office of Health, Safety and Security (HSS), employs special agents charged with managing executive protection operations. These special agents apply tactics, techniques and procedures designed to protect an individual from physical assault or harm. Special Operations agents are augmented by Office of Secure Transportation (OST) agents while the Secretary is on travel status, and in coordination with HSS Headquarters Security Police Officers (SPOs) when in the Headquarters building.
- ☛ The OIG received allegations of mismanagement of the Department's Executive Protection forces. The complaints varied, but generally fell into categories such as inadequate training; mismanagement of resources, such as failure to provide appropriate body armor; and lack of implementation of recommendations for improvement.
- ☛ While certain aspects of the allegations were substantiated, the evidence did not support a number of concerns that had been raised. However, perhaps of greatest importance, the Special Operations agents generally described their work environment as one permeated by low morale. We noted, for instance, that certain operational training had not been completed and individual purchases of body armor were not made between 2007 and 2012. We did not substantiate a number of other specific allegations involving issues such as failure to complete recommended actions.
- ☛ In response to the findings, management concurred with the recommendations and agreed to take corrective action to address the concerns raised by Special Operations agents and to ensure that the executive protection function is operating as effectively as possible.

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Team Leader:

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Project Lead:

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(b)(6)

Assists:

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Inspection Report on *Alleged Improprieties Regarding the Canine Program at the Department of Energy's Y-12 Site* (DOE/IG-0886, April 19, 2013)

- ☛ The Department's Canine Program is an essential component of its efforts to identify and deter potential threats to infrastructure and personnel. At the Y-12 National Security Complex (Y-12) and other nuclear material hosting sites in the Department, canines are used to detect explosives, narcotics, concealed humans and also track human presence at facilities that store, handle and maintain special nuclear material. As outlined in Department directives and adopted as best practices by law enforcement and security professionals, the performance of canine teams depends on continual reinforcement of skills through realistic performance testing, proficiency training and annual certifications. As required by their contract with the Department, canine services contractors are required to develop and implement a canine training and certification program that embodies these

principles. Canine services at Y-12 were obtained through a 5-year contract that is valued at almost \$15 million.

- In 2012, we received allegations that the Department's Y-12 site: (1) possibly "rigged" testing for canine teams, and (2) worked canines beyond their physical capability to perform effectively.
- Because of conflicting testimony and a lack of supporting documentation, we could not conclusively determine whether there were instances of "rigged" testing. However, our inspection identified a number of issues that led us to question the efficacy of the processes used to test, train and certify canines at Y-12. For instance, performance testing, training and annual certifications of canine teams were not properly conducted and/or documented. We did substantiate the allegation that handlers had worked canines beyond their physical capability to perform assigned duties. Deficiencies associated with the management of a multi-layered contract structure for furnishing canine services at the Y-12 site contributed to the problems we observed. Finally, Federal officials and various contractor officials acknowledged that they had not reviewed the training and certification records for the canine teams because the Canine Program was not identified as a high-risk security area based on the Department's graded approach for risk determination.
- Management concurred with the recommendations in the report and agreed to develop and implement standardized policies and guidelines for all National Nuclear Security Administration sites utilizing canine detection services.

(b)(6)

Team Lead:

Inspector:

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RECOVERY ACT REPORTS ISSUED THIS WEEK:

Examination Report on *Travis County Health & Human Services and Veterans Services Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009*

- As part of the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Weatherization Assistance Program (Weatherization Program) received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Texas received \$327 million in Weatherization Program Recovery Act grant funding, of which \$8.9 million was allocated to Travis County Health & Human Services and Veterans Services (Travis County) to weatherize approximately 1,060 homes. The State of Texas' Department of Housing and Community Affairs (Texas) was responsible for administering Weatherization Program grants, including funds provided to Travis County.
- The OIG contracted with Lani Eko & Company, CPAs, PLLC to conduct an examination of Travis County's Weatherization Program. The examination found that Travis County had not ensured that homes it weatherized were eligible for those services. Specifically, Travis County did not have procedures in place to ensure compliance with Federal requirements that prohibit use of Federal funds to weatherize dwelling units designated for acquisition or clearance by a Federal, state or local program within 12 months from the date

weatherization of the dwelling units would be completed. Further, Travis County had not properly supported 33 of 45 client transactions reviewed.

- ☒ The Department concurred with the report recommendation and will ensure appropriate action is taken by the State of Texas to improve administration of Recovery Act Weatherization Program funds at Travis County Health & Human Services and Veterans Services.

(b)(6)

Team Leader:

Technical Monitor:

Staff:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Inspection Report on *Concerns with Consulting Contract Administration at Various Department Sites* (S13IS003)

- ☒ The mission of the Department is to ensure America's national security and prosperity by addressing its energy, environmental, and nuclear weapons challenges through transformative science and technology solutions. This work is executed at a number of contractor-operated facilities, including 17 pre-eminent national laboratories. Department contractors frequently use consultants that are deemed to possess unique capabilities to assist in advancing their various missions.
- ☒ The National Nuclear Security Administration (NNSA) requested that we conduct a review to determine whether a consulting agreement awarded to Heather Wilson and Company, LLC, (HWC, LLC) by Los Alamos National Laboratory (Los Alamos) was appropriately administered and managed. Specifically, we were asked to determine whether: (1) work products (deliverables) were produced in return for monthly payments to HWC, LLC of \$10,000; (2) invoices included itemized charges, as required by the agreement; (3) there was overlap between the services provided and work products produced by HWC, LLC on consulting agreements awarded by Sandia National Laboratories (Sandia), Los Alamos, Oak Ridge National Laboratory (Oak Ridge) and the Nevada National Security Site (Nevada); and (4) an NNSA Contracting Officer was subjected to "pressure" when Los Alamos National Security, LLC (LANS), the Management and Operating Contractor for Los Alamos, requested authorization to enter into an agreement with HWC, LLC.
- ☒ Our inspection identified serious concerns with the administration and management of agreements with HWC, LLC for advice and consultation provided to senior managers at four Department contractor-operated sites. In fact, our testing revealed that the four facility contractors paid approximately \$450,000 to HWC, LLC even though they did not receive evidence that work performed under the agreements had been completed. These payments were fully reimbursed by the Government.

- ❖ The issues identified in this report occurred because contractor officials responsible for crafting and administering the consulting agreements either did not incorporate, or failed to enforce, the requirements of the Federal Acquisition Regulation (FAR) into the agreements with HWC, LLC. We also determined that contractor officials failed to exercise due diligence to ensure that the government received value for the payments made to HWC, LLC. In addition, considering the high profile nature of these agreements and the fact that contractor officials had been warned about complying with FAR requirements, Federal officials could have followed up to ensure previously identified problems were corrected, but did not do so.
- ❖ Concerns with the nature and mechanisms of the relationship between Sandia, Los Alamos and HWC, LLC were not limited to Federal officials. We also determined that there was uncertainty among the various site contracting officials regarding the intent and implementation of the deliverable and invoice requirements in the FAR.
- ❖ We made recommendations designed to assist management with ensuring that the intent of the FAR requirements are consistently understood and implemented across the complex, and that awareness of prohibitions against business development activities by contractors is improved. We also recommended that a determination be made with regard to the allowability of the costs associated with consulting agreements involving HWC, LLC, to include the recovery of any costs determined to be unallowable. Finally, we concluded that these matters should be considered in the contractor fee determinations, even if retroactive actions are necessary.
- ❖ At the conclusion of our inspection, we briefed Department management on the results of our inspection. Subsequently, both the Sandia and Los Alamos Field Offices issued a Notice of Intent to Disallow Cost associated with agreements awarded to HWC, LLC by their respective site contractors. We also briefed Federal management officials at the Nevada National Security Site and Oak Ridge National Laboratory on our results.

(b)(6)

Team Leader:
Project Lead:
Inspector:

Audit Report on *Follow-up Audit on Term Assignments of Contractors* (A12GT013)

(b)(5)

(b)(5)

(b)(5)

(b)(5)

❖ The Department frequently assigns facility contractors to the Washington, DC area on a temporary basis when [REDACTED]

[REDACTED] and costs are reasonable when compared to other means of acquiring the necessary knowledge and experience. Department Order, 350.2B, *Use of Management and Operating or Other Facility Management Contractor Employees for Services to DOE in the Washington, DC Area* [REDACTED]

(b)(5)

[REDACTED] The estimated cost of all facility contractor term assignments to Washington, DC for Fiscal Year (FY) 2012 was over \$37 million.

❖ Our 2005 report on *Management of Facility Contractors Assigned to the Washington, DC Area*, (DOE/IG-0710) identified issues related to term assignments such as insufficient

(b)(5) justifications for assignments [redacted]

(b)(5) [redacted] and apparent excessive moving and temporary living expenses for some employees. The audit further identified average annual employee costs of \$247,000, including employee salaries and other expenses related to the term assignment.

(b)(5) [redacted]

Although the Department's management of term assignments had improved since our 2005 report, additional actions were needed. Specifically, some allowances appeared excessive and continued to vary significantly between the facility contractors providing term assignees. Further, cost comparisons had not been conducted to determine whether cost effective alternatives to term assignments were available, although specifically required.

The issues we discovered occurred, in part, because of inadequate controls and management oversight. As a result, the Department lacked assurance that the cost of technical and program support provided by the facility contractor personnel assigned to the Washington, DC area was both reasonable and necessary.

We found that the average cost per term assignee in FY 2011 for the five sites reviewed had increased by approximately \$59,000 since our 2005 report, to over \$306,000. (b)(5)

(b)(5) [redacted]
(b)(5) [redacted] Furthermore, inconsistencies in the dislocation allowances authorized by site contractors likely resulted in unreasonable and unnecessary costs to the Department.

During FY 2011, NNSA took action to improve controls over term assignments. NNSA managed sites are now required to adhere to an NNSA Supplemental Directive that clarifies the amounts and types of allowances permitted for assignees. Further, during the latter stages of our audit field work, the Department issued an Acquisition Letter on Contractor Domestic Extended Personnel Assignments. This policy set up many of the same cost restrictions that are in NNSA's Supplemental Directive. We noted that had all of the sites included in our review consistently applied per diem and relocation allowances limited to the amounts allowed by these recent directives, the Department could have reduced costs by nearly \$500,000 annually for just the individuals included in our audit.

Controlling costs and conserving taxpayer provided resources is especially critical during these tight economic times. As such, we have made several recommendation designed to aid the Department in reducing its support costs for contractor assignees to the Washington, DC area.

(b)(6) Director:
Team Leader:
AIC:
Auditor:

[redacted signature box]

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

(b)(6) The Oak Ridge Inspections group had the opportunity to work with [redacted] who (b)(6)
(b)(6) is an [redacted] and a member of the Future Leaders program for a 30-day
rotation. As a part of the future leaders program, [redacted] objective was to get an overview of (b)(6)
how the Office of Inspector General Office of Inspections operates. [redacted] proved to (b)(6)
be an excellent fit with the team and jumped right in and learned as much as [redacted] could (b)(6)
(b)(6) within a short period of time. [redacted] had the opportunity to see how we plan and
conduct inspections, interview, prepare working papers and brief internally (DIGAI, AIGS
and Director) and externally (Manager ORO, General Counsel, as well as an entrance

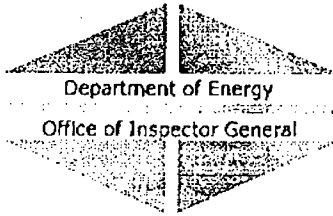
(b)(6) conference with high level managers) [redacted] thanked us for a great learning
(b)(6) experience and helping [redacted] broaden [redacted] career development.

- We want to welcome Rushin Patel to the Los Alamos Audit Group, Western Audits Division. Rushin is an Air Force veteran and recent graduate of Kean University, where he earned a Bachelor of Science degree in accounting. Rushin is new to New Mexico and plans on taking up landscape photography and hiking.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

April 19 – May 10, 2013

FINAL REPORTS ISSUED:

- Examination Reports on Selected Sub-grantees of the Department of Energy's American Recovery and Reinvestment Act - Illinois State Energy Program (OAS-RA-13-19, April 30, 2013)

The Department of Energy's (Department) State Energy Program (SEP) provides grants to states, territories, and the District of Columbia to support energy priorities and fund projects that meet their unique energy needs. The American Recovery and Reinvestment Act of 2009 (Recovery Act) significantly expanded the SEP by providing an additional \$3.1 billion. The Illinois Department of Commerce and Economic Opportunity (DCEO) was allocated \$101.3 million in Recovery Act SEP funds, and allocated the funds to 8 separate programs funding more than 138 projects. Office of Inspector General contracted with an independent certified public accountant firm to perform examinations of four selected sub-grantees to test compliance with Federal and State laws, regulations and program guidance.

The examinations found that the Association of Illinois Electric Cooperatives did not adequately monitor member cooperatives to ensure delivery of energy efficiency upgrades or services performed for which rebates were issued. Additionally, Bley, LLC did not comply with Recovery Act requirements to separately track costs and maximize competition in equipment purchases, and Funk Linko, Inc. did not properly account for its cost matching and maximize competition in equipment purchases. Further, Abengoa Bioenergy Operations, LLC (Abengoa) could not fully support that it had complied with Recovery Act requirements to separately identify costs, pay prevailing wages in accordance with the Davis-Bacon Act, and ensure competition in awarding subcontracts.

In addition to compliance issues identified, we are concerned about Illinois' practice of providing Recovery Act funds to projects that had already been completed. Although not expressly prohibited, we questioned whether providing funds for completed projects met the intent of the Recovery Act to stimulate the economy and create or save jobs. The Department concurred with the recommendations and committed to implementing corrective actions. Regarding Illinois' practice of providing Recovery Act funds to completed projects, the Department responded that the costs were incurred during the allowable timeframe for the grant, and stated that it had been assured by DCEO that all other projects were consistent with the intent of the Recovery Act legislation and that the costs were incurred within the Recovery Act timeframe.

(b)(6)

Team Leader:

- Audit Report on Home Office Expenses Submitted by Fluor Federal Services, Inc., on Savannah River Nuclear Solutions, LLC's U.S. Department of Energy Management & Operating (M&O) Contract No. DE-AC09-08SR22470 (OAS-L-13-08, April 19, 2013)

The Department awarded Management and Operating (M&O) Contract No. DE-AC09-08SR22470 to Savannah River Nuclear Solutions, LLC (SRNS), a for-profit joint venture, established between Fluor Federal Services, Inc. (Fluor), Newport News Nuclear, Inc., and Honeywell International. SRNS commenced performance on the M&O contract on August 1, 2008. Fluor has a majority share in the joint venture.

The Office of Inspector General (OIG) contracted with an independent certified public accounting firm to assess the accuracy and completeness of the results and conclusions reported by SRNS Internal Audit on its *Corporate Reachback Floor Check Review* of invoices for loaned employees from Fluor. Additional testing was performed on an invoiced Fluor "loaned employee" to determine whether home office expenses were included in the invoiced costs, and if so, quantify the amount of questioned costs. The SRNS contract, Clause H-20, entitled *Home Office Expenses*, states "Home office expenses, whether direct or indirect, relating to activities of the Contractor are unallowable, except as otherwise specifically provided in the Contract or specifically agreed to in writing by the Contracting Officer consistent with DEAR 970.3102-3-70."

The firm concluded that the results and conclusions reported by SRNS Internal Audit on its *Corporate Reachback Floor Check Review* of invoices for loaned employees from Fluor was accurate and complete as they related to their audit objectives. The results disclosed that SRNS' costs incurred for contract DE-AC09-08SR22470, for the period August 1, 2008 through August 21, 2012, included home office expenses of \$1,256,481 and \$36,763 in Facilities Capital Cost of Money resulting from its use of Fluor loaned employees. Subsequent to the completion of audit field work, the Savannah River Operations Office Contracting Officer initiated action to disallow the \$1,256,481 in home office expenses. Therefore, no recommendations were made in this report.

(b)(6)

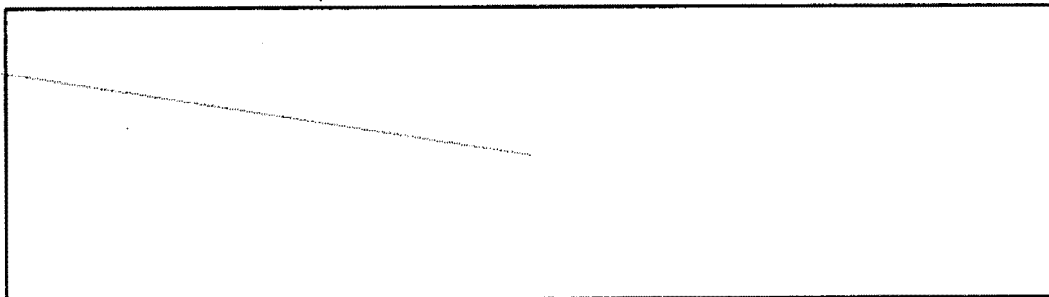
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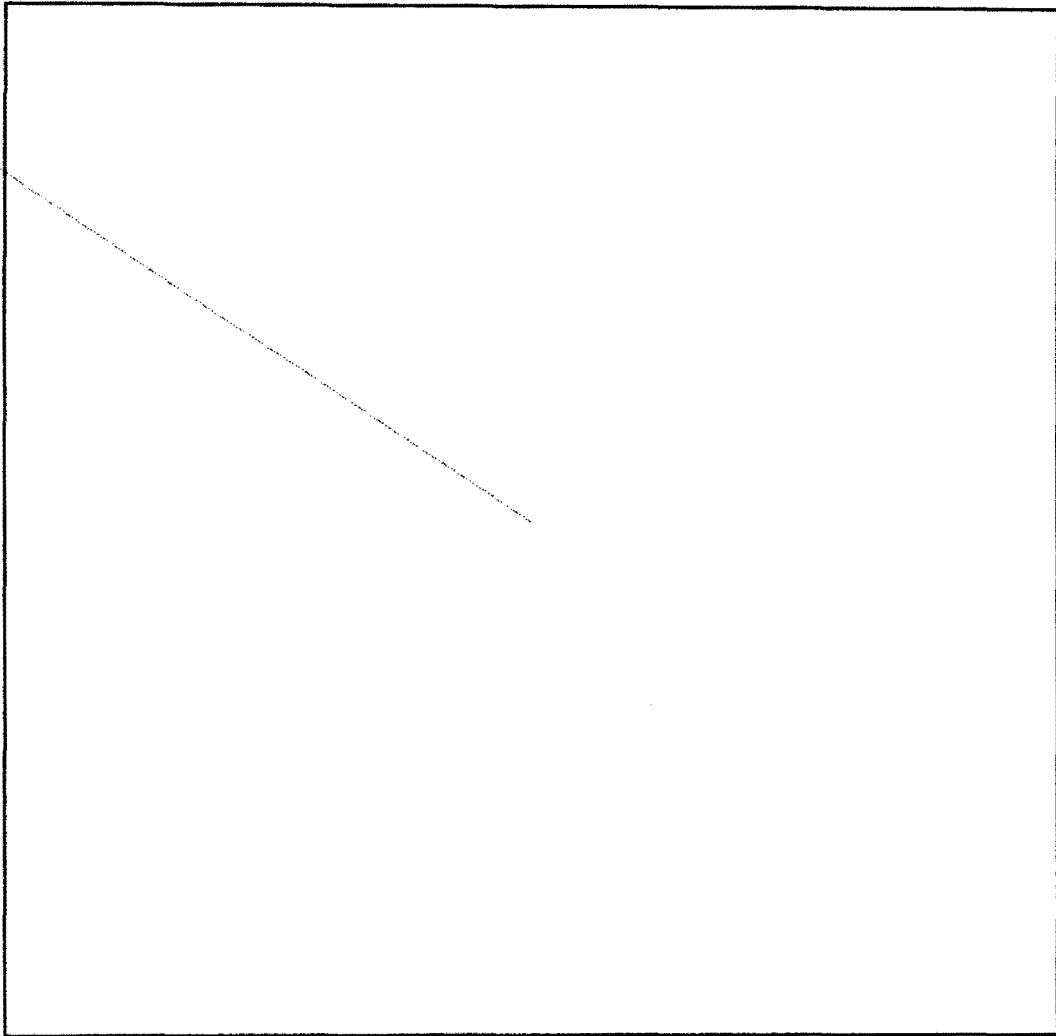
DRAFT REPORTS ISSUED:

- Report on Assessment of Audit Coverage of Cost Allowability for Oak Ridge Associated Universities, Inc. under Department of Energy (May 6, 2013)

(b)(5)



(b)(5)



(b)(6)

Auditor-in-Charge:
Staff Auditors:



OTHER AUDIT/INSPECTION ACTIVITIES:

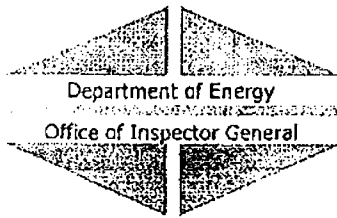
- An entrance conference was held on Thursday, May 9, 2013 regarding the Audit of Work for Others at the Los Alamos National Laboratory (Los Alamos) under Department Contract No. DE- AC52-06NA25396. The objective of this audit is to assess the internal control structure in the current environment of Los Alamos and to determine whether it is effective in achieving the current goals and objectives of the Work for Others Program. The OIG has engaged KPMG, LLP to perform the subject audit. In attendance were representatives from the OIG, KPMG, DOE Headquarters, the National Nuclear Security Administrations' Office of Field Financial Management, Los Alamos Field Office, and Los Alamos' contractor.

ANNOUNCEMENTS:

- The Oak Ridge Audit Group, Eastern Audit Division, welcomes Bruce Kan to the IG's office. Bruce earned his Bachelor's degree in Accounting from the University of North Carolina at Charlotte. His recent work experience included a 1 year internship with TIAA CREF, a full-service financial services company. In his spare time, Bruce is looking forward to becoming a member of the Oak Ridge Community Orchestra as a violinist.
 - The Eastern Audit Division's Oak Ridge Technology Audit Group welcomed Mr. Charles Eggers. Charles earned Bachelor's Degrees in Accounting and Computer Science from the University of North Carolina - Charlotte. Prior to joining the OIG, he worked for three years as a Revenue Agent for the Internal Revenue Service in Hickory, NC. In his spare time, Charles enjoys spending time with his wife and traveling. The team is excited to have him on board.
-

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

May 13 – 24, 2013

FINAL REPORTS ISSUED:

- Examination Report on South Carolina Energy Office – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-13-21, May 14, 2013)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Energy Efficiency and Conservation Block Grant (EECBG) Program received about \$3.2 billion to assist in implementing strategies to reduce fossil fuel emissions, decrease total energy use of local governments, improve energy efficiency and create jobs.

The South Carolina Energy Office (SCEO) is responsible for operating the State of South Carolina's energy efficiency programs and for administering EECBG Program funding. The SCEO received about \$9.6 million that was allocated as block grants to units of local government and competitive grants that support energy efficiency projects.

The Office of Inspector General (OIG) contracted with an independent certified public accounting firm to examine SCEO's compliance with Federal and State laws, regulations and program guidelines applicable to the EECBG Program. The examination found that SCEO complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period September 30, 2009 through December 31, 2011. There were no findings and recommendations as a result of this examination.

(b)(6)

Team Leaders:

(b)(6)

Technical Monitor:

- Special Review of Cost Incentives for the Department's Cleanup Contract in Idaho (OAS-RA-13-20, May 13, 2013)

In Fiscal Year 2005, the Department of Energy (Department) awarded a Cost-Plus-Incentive-Fee contract to CH2M ♦ WG Idaho, LLC (CWI) to lead environmental cleanup of its Idaho National Laboratory site. The contract originally ran from May 1, 2005 through September 30, 2012, and has been extended for 3 years to September 30, 2015. The contract had a target cost of \$2.7 billion and a target fee of \$196 million (7.36 percent of target cost). The contract includes an additional incentive if work is completed under target cost.

In addition to the target work to be completed within the contract, additional non-target work was allowed under Section B.5 of the contract. The contractor initially anticipated that the amount of additional non-target work would be approximately \$89 million; however, the amount of non-target work completed ultimately increased to about \$510 million, with the largest increase attributable to work funded under the Recovery Act. The

Department and CWI are now negotiating to close out the agreed upon scope of work covered by the contract performance period that ended September 30, 2012, and to calculate fee based upon the cost to complete this work.

During our review, nothing came to our attention to indicate that General and Administrative (G&A) costs had not been properly allocated to the non-target work. In accordance with its Cost Accounting Disclosure Statement, CWI allocated about \$128 million in G&A expenses to its non-target work, about \$88 million more than originally planned, which reduced the G&A expense allocated to CWI's target work and thereby reducing the total costs of target work. Additionally, the contractor contends the allocation served to reduce the actual cost of target work scope, and as a consequence, it is entitled to earn fee at the target work scope rate on the allocated amount. However, we learned that the Department disagreed with impact of the G&A allocation on the incentive fee and was in a dispute with CWI regarding its overall fee. Based on the totality of the information we reviewed, we concluded that the contract modifications accepted by CWI disclosed that its fee earning potential in this area was undefinitized. Management concurred with our recommendation and indicated that corrective action has been initiated.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on *The Use of Staff Augmentation Subcontracts at the National Nuclear Security Administration's Mixed Oxide Fuel Fabrication Facility* (DOE/IG-0887, May 14, 2013)

Shaw AREVA MOX Services, LLC (MOX Services) is responsible for the design and construction of the National Nuclear Security Administration's (NNSA) nearly \$5 billion Mixed Oxide Fuel Fabrication Facility (MOX Project) at the Savannah River Site near Aiken, South Carolina. The facility will remove impurities from surplus weapons-grade plutonium and mix it with depleted uranium oxide to form fuel pellets for commercial nuclear power reactors.

MOX Services used staff augmentation subcontracts to fill professional, technical and administrative support service positions on an as-needed basis on the MOX Project. According to MOX Services officials, a shortage of qualified personnel in the local area necessitated the use of "temporary" subcontract employees. The OIG received a complaint alleging a variety of problems involving temporary living expenses, overtime hours, as well as the appropriateness of staff augmentation labor rates.

We substantiated the allegation that MOX Services billed and NNSA reimbursed payments to subcontractors for excessive temporary living expenses. Specifically, since January 2007, MOX Services was reimbursed about \$3.7 million for inappropriate temporary living expenses for staff augmentation employment. Additionally, we did not substantiate the allegations concerning the pricing and payment of regular and overtime hours for staff augmentation subcontracts from Fiscal Years 2007 through 2011.

These excessive and unnecessary costs occurred, at least in part, because MOX Services eliminated the portion of its policy that limited the cost and duration of staff augmentation

subcontract employee temporary living expenses. This was compounded by the fact that NNSA had not effectively monitored MOX Services' management of the staff augmentation subcontracts. In response, NNSA management concurred with our recommendations and identified actions it had taken or planned to improve management of the temporary living expense component of staff augmentation subcontracts at the MOX Project.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- **Draft Inspection Report on *Follow-up on Characterization Wells at Los Alamos National Laboratory* (S12IS014, May 16, 2013)**

Since the early 1940s, Los Alamos National Laboratory (Los Alamos) has conducted experimental research on the development of nuclear weapons and explosive materials. These activities have resulted in the generation and disposal of a variety of hazardous, radioactive, and solid wastes. Los Alamos has disposed of these wastes in septic systems, pits, surface impoundments, trenches, shafts, landfills, and waste piles at the facility. Contaminants such as plutonium, americium, and tritium have been detected in soils and sediments at the facility and in groundwater beneath the facility. In 1998, Los Alamos developed a Workplan that established the basis for characterizing the hydrogeologic system beneath the facility, determining whether the concentration of contaminants in groundwater exceeded regulatory limits. Implementation of the Workplan required the installation of 32 regional aquifer wells, commonly referred to as characterization wells.

In our September 2005 report on *Characterization Wells at Los Alamos National Laboratory*, (DOE/IG-0703), we noted that the use of mud rotary drilling methods during well construction was contrary to specific constraints established in Resource Conservation and Recovery Act guidance. We also noted that muds and other drilling fluids that remained in certain wells after construction created a chemical environment that could mask the presence of radionuclide contamination and compromise the reliability of groundwater contamination data. We initiated this review to determine if Los Alamos had taken action to improve its characterization well process.

Our inspection found that Los Alamos had taken action designed to improve the management of its characterization well program. Specifically, we noted that Los Alamos no longer uses mud rotary drilling methods during well construction, and appropriate steps have been taken to ensure data derived from monitoring wells is reliable. We also found that responsibility for the monitoring well program had been transferred to the New Mexico Environmental Department (NMED). Additionally, we found that appropriate steps had been taken to ensure data derived from monitoring wells is more reliable.

We determined that concerns over the reliability of contamination data identified in our 2005 report were addressed by the changes in well drilling processes and the discontinued use of well screens that had been found to be unreliable. Because of the progress we observed, we are not making recommendations or suggestions.

(b)(6) Team Leader: [REDACTED]
(b)(6) Project Lead: [REDACTED]
(b)(6) Inspector: [REDACTED]

- **Draft Audit Report on Costs Incurred by Selected Tribal Energy Efficiency and Conservation Block Grant Recipients (A12RA004, May 20, 2013)**

Under the Recovery Act, the Department's EECBG Program received \$3.2 billion to improve energy efficiency and reduce energy use and fossil fuel emissions. The Department's Office of Energy Efficiency and Renewable Energy allocated about \$2.7 billion of the funds using a population-driven formula to over 2,000 entities including states and territories, cities and counties, and Native American tribes. Approximately \$54.8 million of these funds were allocated to 574 individual Native American tribes with awards ranging from \$25,000 to over \$6 million.

The Navajo Tribal Utility Authority (NTUA), the Cherokee Nation, Muscogee Creek Nation, Choctaw Nation of Oklahoma, and Chickasaw Nation received the largest tribal EECBG grants. The grants totaled \$13.9 million and represented approximately 25 percent of the total EECBG funds awarded to Native American tribes. As of December 31, 2012, approximately \$12 million of these funds had been expended by the five recipients. The Department classified the five recipients as "at risk" for financial capability based on significant deficiencies and/or material weaknesses contained in their most current audit reports issued pursuant to Office of Management and Budget Circular A-133. To mitigate its risk, the Department required the recipients to submit requests for reimbursement to the Department for approval rather than allowing the tribes to draw cash advances.

We initiated this audit to determine whether costs incurred by selected tribal recipients were reasonable, allocable and allowable in accordance with applicable laws, regulations and EECBG Program guidance. Our review identified \$518,994 in questionable costs reimbursed by the Department to two of the five largest tribal recipients of EECBG funds.

Specifically, we found that NTUA did not follow applicable Federal regulations or have adequate support related to allocability and allowability for \$517,794 in costs reimbursed by the Department for consulting, legal and administrative costs. Additionally, the Choctaw Nation of Oklahoma had been reimbursed \$1,200 by the Department for one duplicative travel expense which was subsequently resolved when we brought the matter to its attention. Further, one tribal recipient that was not included in our sample of transactions at the five largest recipients had a cash advance in the amount of \$11,100 for a period of 17 months in violation of Federal regulations related to disbursement of cash advances. We did not identify any questioned costs for sample transactions we reviewed at the Cherokee Nation, Muscogee Creek Nation, and Chickasaw Nation.

The majority of questioned costs were the result of NTUA's failure to follow its own policies and procedures related to procurement of services, to adequately review legal expenditures charged to the grant prior to seeking reimbursement, and to adhere to Federal regulations requiring the adequate support of allowable administrative charges. NTUA also misinterpreted EECBG Program guidance regarding the allocation of administrative costs. The Choctaw Nation of Oklahoma's duplicate reimbursement request resulted from the

tribe not adequately reviewing charges to the grant prior to seeking reimbursement from the Department. The unliquidated cash advance resulted from the tribe drawing in excess of its immediate cash needs and the Department's failure to take corrective action.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

ANNOUNCEMENTS:

- On Monday, May 6, 2013, Lilian Bain joined the Livermore Office of Inspections. Lilian comes to us from the Space Coast Credit Union in Miami Gardens, Florida, where she worked for over 9 years. Lilian received her Bachelor's Degree in Math Education in 2000, with a minor in Physics Education, from San Marcos National University in Lima, Peru. She earned her Master's Degree in Accounting in 2011 from Nova Southeastern University in Davie-Ft. Lauderdale, Florida. In her free time, Lilian enjoys walking, exercising, and watching movies. We welcome Lilian to the OIG family.
- The OIG is now on Twitter! Follow us at: [@EnergyOIG](#)
- The OIG has begun the process of replacing the Energy Inspector General Project Tracking System (EIGPT). We have contracted with Edgewater Technologies to conduct a Needs Assessment to help document our work processes and determine how technology can make the processes more efficient.

We have also created an iPortal page so employees can actively participate in the effort to replace EIGPT. Discussion questions have been posted on the [EIGPT Replacement iPortal page](#) under the "Discussions" tab, please join in! If you do not have an iPortal account, from the [iPortal home page](#) click on the "I need to request an iPortal account" link.

Information on the EIGPT Replacement process can also be found on the [IGComm](#) under the "EIGPT Replacement" tab on the home page. If you do not have an Intranet account, please contact [REDACTED]

Please use these tools to actively participate in this process. Also, feel free to post questions regarding the project on the EIGPT Replacement iPortal page under the "Discussions" tab, or send your questions to the EIGPT mailbox at igneweipgt@hq.doe.gov.

- The 2013 Annual Cybersecurity Awareness Course must be completed by June 21, 2013. This training is mandatory for all Federal employees. To access the course, logon to the Online Learning Center and search for "2013 Annual Cybersecurity Awareness."
-

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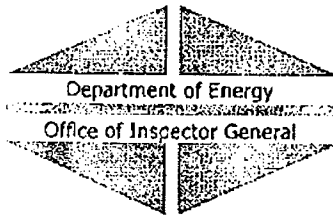
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Division Directors

Assistant Division Directors

Team Leaders



Weekly Activity Report
Office of Audits and Inspections

May 27 – May 31, 2013

FINAL REPORTS ISSUED:

- Audit Report on *The Office of Environmental Management's Disposition of Transuranic Waste* (OAS-L-13-09, May 28, 2013)

The Waste Isolation Pilot Plant is the Department of Energy's (Department) underground repository for contact-handled and remote-handled transuranic waste. The Waste Isolation Pilot Plant Land Withdrawal Act limits its total capacity for transuranic waste to 175,600 cubic meters (m³), of which no more than 7,080 m³ can be remote-handled waste. In October 1999, the New Mexico Environment Department granted a Hazardous Waste Facility Permit to the Department to begin storage and disposal of TRU waste, although remote-handled disposal did not commence until 2007.

In Fiscal Year (FY) 2011, the Office of Environmental Management (EM) established a strategic goal, in addition to operational goals, to complete disposition of 90 percent of the Department's legacy transuranic waste by the end of FY 2015. While EM is also responsible for the transuranic waste that the Department continues to generate, newly generated waste is not specifically included in the strategic goal. To achieve the 90 percent goal, EM needed to dispose of approximately 40,000 m³ of waste, or an average of 8,000 m³ per year. The planned annual metric was reduced to 6,000 m³ for FY 2012 and 4,500 m³ for FY 2013 because of funding limitations.

We found that while EM had made progress in meeting its operational disposal goals, it was not on track to meet its goal to dispose of 90 percent of the Department's legacy transuranic waste by the end of FY 2015. In particular, EM faces a number of challenges in meeting its planned 90 percent waste disposal goal by 2015. Additionally, without further modifications to the repository or existing waste disposal practices, the Waste Isolation Pilot Plant may not have capacity for disposal of the current remote-handled inventory. EM has identified alternative actions to alleviate the challenges facing the transuranic waste disposition program.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- Audit Report on *The Department of Energy Vehicle Technologies Program's \$135 Million in Funding to Ecotality, Inc.* (A13HQ001, May 31, 2013)

The Department's Vehicle Technologies Program aims to decrease U.S. oil dependence by developing and deploying advanced transportation technologies. Historically, this Program had been allocated about \$300 million annually; however, the scope was significantly increased when the Program received about \$2.8 billion in funds as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Over a 6-year period, the Program awarded three financial assistance agreements to subsidiary companies of Ecotality, Inc. (recipient). The Program awarded the recipient about \$35 million from 2005 to 2011, for two multi-year projects to test and evaluate advanced technology vehicles. In 2009, the recipient was awarded a Recovery Act grant for about \$100 million for electric vehicle demonstration and infrastructure evaluation. For this award, the recipient planned to install three different types of charging stations (two commercial and one residential) for electric vehicles in various geographical regions around the country. Consumers and businesses that enrolled in the project received a charging station paid for through the grant as well as a credit toward installation costs.

Our review identified opportunities to improve the effectiveness of the Department's administration of its awards to the recipient. Specifically, we noted that the Department had not adequately documented its consideration of alternatives before making significant changes to the recipient's Recovery Act project. Additionally, the Department had not ensured that the selection of commercial charging station locations was based on a process that advanced the goals of the project, and that the recipient's awards were finalized in a timely manner.

Further, we did not identify specific evidence indicating that the cost-share concept was prohibited under Federal regulations. We did note that the cost-share arrangement was unusual and that it provided the recipient with a very generous cost-share credit. The audit did not identify any issues with the Department's development and application of procedures for the solicitation, merit review, and selection of the recipient. To address the issues we observed, we made several recommendations designed to improve the management of this and similar projects.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Audit Report on Cost Transfers at the Department's Sodium Bearing Waste Treatment Facility Construction Project (A12ID053, May 31, 2013)**

In 2005, the Department awarded the Idaho Cleanup Project contract to CH2M ♦ WG , Idaho, LLC (CWI) to remediate the Idaho National Laboratory. The Sodium Bearing Waste Treatment Facility construction project was included in the contract scope. The primary mission of this facility was to treat approximately 900,000 gallons of radioactive sodium bearing liquid waste at a Federal baseline cost of \$461 million, which was approved in December 2006. This facility was constructed to treat the liquid waste for ultimate disposal at the Waste Isolation Pilot Plant and was also designed to treat high level radioactive waste, referred to as calcine waste, at an unspecified future point in time.

Due to significant cost escalation, the Department approved a revised Federal project baseline in January 2009, to a cost of \$571 million and a completion date of August 2011.

Between April and November 2010, CWI made seven funding determinations, transferring \$13.1 million to other non-project operational accounts from the \$571 million approved project cost. In January 2011, the Department approved a revision to the project baseline that delayed project completion to December 2011, but did not change the project's estimated costs. As part of its approval of additional revisions to the project baseline, the Department required further review of the transfers by the Office of Environmental Management and the Department's Office of Acquisition and Project Management. Although the Office of Environmental Management agreed with the transfers, the Office of Acquisition and Project Management questioned the appropriateness of the transfers. Subsequently, the Department requested that the Office of Inspector General determine whether the transferred costs were direct project costs that should have remained with the project.

We found that three of the seven cost transfers totaling \$7.9 million represented direct costs of the project as defined by Cost Accounting Standards, CWI's normal charging practices, and the Department's Financial Management Handbook. As such, we concluded that the costs should not have been transferred. We also found that four of the seven cost transfers valued at \$5.2 million were for activities that were not direct project costs or had been appropriately shared pro rata with other projects in accordance with Department and CWI accounting and project management principles.

We made recommendations designed to help ensure that the cost transfers are reversed into the line item construction project account and that all project cost transfers are consistent with Cost Accounting Standards and the Department's Financial Management Handbook.

(b)(6)

Team Leader:

- Examination Report on *Commonwealth of Puerto Rico Energy Affairs Administration – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (A12RA005, May 29, 2013)

The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors.

The Commonwealth of Puerto Rico Energy Affairs Administration (Puerto Rico) received a \$9.6 million formula Energy Efficiency and Conservation Block Grant (EECBG) grant award, which was to be expended over a 3-year period from September 21, 2009 through September 20, 2012. Puerto Rico requested and received an extension of its grant to March 31, 2013.

The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP (Lopez), to express an opinion on the Puerto Rico's compliance with Federal and Commonwealth of Puerto Rico laws, regulations and program guidelines applicable to the EECBG Program.

The examination found that Puerto Rico did not know the status of and had not maintained supporting documentation for four cash advances totaling \$449,000 to ensure funds were used for allowable costs. While Puerto Rico ultimately provided the supporting documentation after multiple requests and over a year later, Lopez found two of the four sub-grantees had not expended funds totaling \$367,116 within 3 days as required by Federal regulations. Further, based on a review of two Agency quarterly job reports, Lopez found that the documentation maintained for one quarter did not agree with Puerto Rico's report and for the other quarter, the support did not contain information for all sub-grantees for us to conclude on the accuracy of the figure.

The report also includes an advisory comment regarding a control deficiency that that was not significant enough to adversely affect Puerto Rico's ability to record, process, summarize and report data reliably. Specifically, Puerto Rico could not support the estimates used to allocate \$242,258 of administrative labor costs charged to the EECBG grant.

The report makes recommendations to Puerto Rico to improve the administration of its EECBG Program. Puerto Rico provided comments that generally did not agree with the findings and did not specifically respond to the recommendations. As such, the Department needs to pursue the matters discussed in the report with Puerto Rico, as well as its plans to improve administration of its EECBG Program.

(b)(6)

Team Leaders:

(b)(6)

AIC:

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

ANNOUNCEMENTS:

- The 2013 Annual Cybersecurity Awareness Course must be completed by June 21, 2013. This training is mandatory for all Federal employees. To access the course, logon to the Online Learning Center and search for "2013 Annual Cybersecurity Awareness."
 - As noted in a recent email message, final report packages are no longer required when reports are issued.
-

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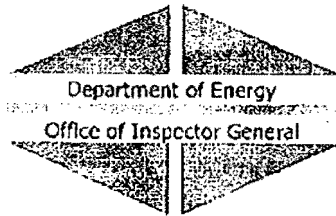
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Assistant Division Directors

Team Leaders



Weekly Activity Report
Office of Audits and Inspections
June 3 – June 7, 2013

FINAL REPORTS ISSUED:

- Inspection Report on Concerns with Consulting Contract Administration at Various Department Sites (DOE/IG-0889, June 7, 2013)

The National Nuclear Security Administration (NNSA) requested that we conduct a review to determine whether a consulting agreement awarded to Heather Wilson and Company, LLC (HWC), by Los Alamos National Laboratory (Los Alamos) was appropriately administered and managed. Specifically, we were asked to determine whether: (1) work products (deliverables) were produced in return for monthly payments to HWC of \$10,000; (2) invoices included itemized charges, as required by the agreement; (3) there was overlap between the services provided and work products produced by HWC on consulting agreements awarded by Sandia National Laboratories, Los Alamos, Oak Ridge National Laboratory and the Nevada National Security Site; and (4) an NNSA Contracting Officer was subjected to "pressure" when Los Alamos National Security, LLC, the Management and Operating contractor for Los Alamos, requested authorization to enter into an agreement with HWC.

Our inspection identified serious concerns with the administration and management of agreements with HWC for advice and consultation provided to senior managers at four Department contractor-operated sites. Specifically, our testing revealed that the four facility contractors paid approximately \$450,000 to HWC even though they did not receive evidence that work performed under the agreements had been completed. These payments were fully reimbursed by the Government.

The issues identified in this report occurred because contractor officials responsible for crafting and administering the consulting agreements either did not incorporate, or failed to enforce, the requirements of the Federal Acquisition Regulation into the agreements with HWC. Management generally agreed with our findings and recommendations and indicated it was in the process of implementing or completing corrective actions. Management indicated that the Department has already recovered \$442,877 from its contractors of the approximately \$464,203 paid to HWC, and is reviewing the allowability of the additional amounts.

(b)(6) Team Leader: [REDACTED]
(b)(6) Project Lead: [REDACTED]
(b)(6) Inspector: [REDACTED]

- Inspection Report on Alleged Nepotism and Wasteful Spending in the Office of Energy Efficiency and Renewable Energy (DOE/IG-0888, June 6, 2013)

The Department of Energy (Department) administers various hiring programs designed to generate a pipeline of talent to replenish its workforce and to maintain overall workforce

vitality. One of those programs is the Student Temporary Employment Program (STEP), which provides opportunities for students to gain work experience, while enhancing their awareness of the Department's mission and functions. STEP appointments are exempted from the usual competitive selection examining procedures; however, this does not negate the responsibility for ensuring a fair and open competitive process during the selection of STEP participants. While the Office of the Chief Human Capital Officer provides various hiring related services to a number of program offices, selection authority is vested in individual program offices.

Recently, the Office of Inspector General (OIG) received allegations that a senior Office of Energy Efficiency and Renewable Energy (EERE) official had violated these regulations by: (1) engaging in nepotism by advocating for his three children to obtain STEP employment at the Department; and (2) wasting funds by enrolling two of the three children in costly training courses unrelated to their duties as STEP interns.

Our inspection substantiated the allegation that the senior EERE official was actively involved in securing STEP intern appointments at the Department for his three college-aged children. The allegation related to enrolling his children in inappropriate training was not substantiated. Nepotism or even its appearance can have a decidedly negative impact on morale within an organization. As is readily apparent, providing inappropriate advantages for relatives of Federal employees damages the integrity of the competitive process and erodes public trust in the Federal hiring process. Management concurred with the recommendations in the report to strengthen internal controls over hiring processes within the Department.

(b)(6) Team Leader: [REDACTED]
(b)(6) Project Leader: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on The Hydrogen Energy California Project (OAS-RA-13-22, June 6, 2013)

Under the American Recovery and Reinvestment Act of 2009, the Department's Office of Fossil Energy received \$3.4 billion to focus on the research, development and deployment of technologies to use coal more cleanly and efficiently. In September 2009, the Department approved a cooperative agreement award with a Government contribution of \$308 million to Hydrogen Energy California, LLC (HECA) to construct a commercial power plant to demonstrate the capture and underground storage of carbon dioxide. The project was expected to be completed in November 2018, at a total cost of about \$2.8 billion.

In March 2011, after the Department and HECA spent approximately \$75 million, HECA's original recipients notified the Department that they intended to terminate the agreement because the project did not meet their requirements for economic viability. With the Department's assistance, HECA found new owners that believed the project could be economically viable. In September 2011, the Department modified the cooperative agreement and increased total project cost to approximately \$4 billion with a Department cost share of \$408 million. We initiated this audit to determine whether the Department effectively managed the modification of the HECA cooperative agreement and subsequent cost share activities.

Our audit found that the project is progressing; however, in our view, the Department is managing HECA at an increased risk level. We noted that the modified cooperative agreement actually represented a substantial increase in upfront risk to the Department by allowing HECA to substantially decrease its cost share in the early stages of the project. As such, the Department is at risk of expending \$133 million for its share of project costs in the first phase without it being completed if the recipient is unable to obtain funding for the next project phase. To help mitigate the risks identified in the HECA project, we provided suggestions to ensure similar situations do not recur and improve the management of cooperative agreements.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Report on Assessment of Audit Coverage of Cost Allowability for UT-Battelle, LLC under Department of Energy Contract No. DE-AC05-00OR22725 during Fiscal Year 2010 (OAS-V-13-11, June 4, 2013)**

Since 2000, UT-Battelle, LLC (UT-Battelle) has managed and operated the Oak Ridge National Laboratory (Oak Ridge) under contract with the Department. Oak Ridge is the largest science and energy national laboratory in the Department. During Fiscal Year (FY) 2010, UT-Battelle incurred and claimed \$1,508,252,172. As an integrated management and operating contractor, UT-Battelle's financial accounts are integrated with those of the Department, and the results of transactions are reported monthly according to a uniform set of accounts. UT-Battelle is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs.

Consistent with the Cooperative Audit Strategy, UT-Battelle is required by its contract to maintain an Internal Audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs. In addition, UT-Battelle is required to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor.

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by UT-Battelle's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met Institute of Internal Auditors Standards. We found that UT-Battelle's Internal Audit questioned costs of \$148,448 in FY 2010, which were subsequently resolved and reimbursed to the Department as required. However, we identified other performance related issues which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to the contractor. For instance, UT-Battelle did not always conduct or arrange for audits of its subcontractors when costs incurred were a factor in determining the amount payable to subcontractors. Thus, incurred costs totaling \$66,267,764 are considered unresolved pending audit. Further, questioned costs identified in 2010 are still unresolved. Specifically, during FY 2010, the Defense Contract Audit Agency issued an audit report that questioned subcontract costs of \$38,122, which remained unresolved as of May 2013.

Management generally agreed with the report and recommendations, and stated that UT-Battelle will revise their Internal Audit Implementation Design to incorporate a risk-based approach to subcontract audit. However, management's comments did not address resolving the subcontract costs pending audit identified in this review.

(b)(6)

Team Leader: [REDACTED]

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

ANNOUNCEMENTS:

- Congratulations to Shiji Thomas of the Headquarters Audit Group and Matt Robinson of the Pittsburgh Audit Group for passing all sections of the CPA exam! We are very proud of his success and dedication to completing this major accomplishment.
- On May 28, 2013, summer intern Bryan Lazu joined the Office of Inspections in Washington, DC. Bryan is currently enrolled at the University of Puerto Rico at Humaco and anticipates graduating in May 2014 with a Bachelor's Degree in Business Administration. Bryan is a member of the University's Honor Program as well as the Accounting Student Association. Bryan will work with the Office of Inspections over the next 10 weeks.
- Aja Woods to the Office of Audits in Washington, DC on May 28, 2013. Aja is an intern assigned to the Headquarters Audit Group for the next 10 weeks. Aja is an accounting student at Jackson State University in Mississippi. She aspires to complete her current studies, continue to a Master's Program, and eventually become a CPA. Aja is a President and Dean's List Scholar and a Full Academic Scholarship recipient. She is also very active within the community through elementary school programs, food programs, and the choir.
- The 2013 Annual Cybersecurity Awareness Course must be completed by June 21, 2013. This training is mandatory for all Federal employees. To access the course, logon to the Online Learning Center and search for "2013 Annual Cybersecurity Awareness."

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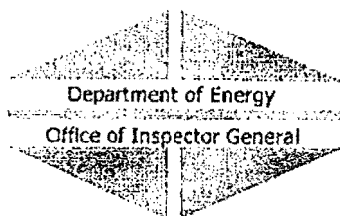
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Weekly Activity Report
Office of Audits and Inspections
June 10 – June 14, 2013

FINAL REPORTS ISSUED:

No activity reported.

DRAFT REPORTS ISSUED:

- Draft Audit Report on *The Department of Energy's Appliance and Equipment Standards Program* (A12DN030, June 12, 2013)

The Energy Policy and Conservation Act of 1975 established a national-level energy conservation program for major appliances and called for setting efficiency targets. This Act, along with subsequent Acts, established mandatory energy efficiency and water conservation standards (minimum standards) for 42 residential and 24 commercial products and equipment. The Department of Energy's (Department) Appliance and Equipment Standards Program (Standards Program) is responsible for setting mandatory minimum standards and establishing test procedures for measuring energy efficiency and water conservation. In 2010, the Department established the Office of Enforcement, within the Office of General Counsel, to enforce manufacturers' compliance with minimum standards and certification requirements.

Our audit found opportunities for improvement in the administration of the Standards Program. Specifically, we found the Department had not always ensured manufacturers certified their products to meet the minimum standards as required by Federal regulations. Further, the Department had not always annually re-certified their products as required by Federal regulations.

Additionally, the Department could not demonstrate that it had provided adequate oversight of the Manufacturer Impact Analysis, a key work-product used by program officials to develop/set minimum standards. We also noted that the Department had not met many of its legislative deadlines for the establishment of test procedures and minimum standards.

As a result of our audit, the Department initiated actions to address the 23 uncertified products and 6 products that had not been re-certified by either establishing a new enforcement case or addressing the uncertified products through existing enforcement cases. As of January 2013, the Department had completed enforcement actions on three of the products we referred to it for enforcement and assessed penalties totaling \$24,000. To address the issues we identified, we made recommendations to improve the Standards Program.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- **Draft Audit Report on *The Department of Energy's Administration of Biomass Project* (A12OR038, June 14, 2013)**

Biomass is the single largest source of renewable energy in the United States. Biomass technologies convert fuels developed from various feed stocks to heat and/or electricity and can be used in place of fossil fuels in most energy applications, such as steam boilers, water heaters, generators and gas turbines. Under an Energy Savings Performance Contract (ESPC), a private-sector energy services company develops, finances and installs energy improvement projects, such as a biomass project, on a Federal site in exchange for a share of future savings over the contract term.

To help achieve renewable energy goals and realize energy cost savings, in 2012, the Department began operating two new biomass facilities located at the Oak Ridge National Laboratory (Oak Ridge) and the Savannah River Site. The \$65 million Oak Ridge Biomass Gasification Steam Plant replaced four of the Laboratory's six natural gas boilers, and will be supplemented by the remaining two gas boilers to provide steam for the Laboratory's thermal needs. The new \$164 million Biomass Cogeneration Facility at the Savannah River Site replaced the 1950s era coal plant, and was designed to provide enough steam capacity to satisfy the Site's thermal requirements and a significant portion of the electrical demand.

Our review of the ESPC-financed Biomass Projects at Oak Ridge and the Savannah River Site disclosed that the Savannah River Site had generally developed and administered its Biomass Facility in an effective manner. We found, however, planning and operational issues with the Oak Ridge Biomass Plant could cause the Department to incur over \$67 million more than necessary over the life of the project.

The problems identified with the Oak Ridge Biomass Plant were due in part to inadequate guidance and oversight. We have made several recommendations designed to not only assist the Department with planning, designing and operating future ESPCs and biomass facilities, but also assist with ongoing biomass projects.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

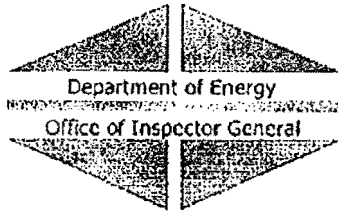
ANNOUNCEMENTS:

- Lindsey Poppe started with the Richland Audit Group June 17, 2013. Lindsey is a recent graduate of Central Washington University in Ellensburg, Washington, where she received her Master of Professional Accountancy degree and Bachelor's degree in Accounting. She is currently studying for the CPA Exam. Her interests include volunteering, going to the gym, and spending time with family and friends.

- The 2013 Annual Cybersecurity Awareness Course must be completed by June 21, 2013. This training is mandatory for all Federal employees. To access the course, logon to the Online Learning Center and search for "2013 Annual Cybersecurity Awareness."

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Weekly Activity Report
Office of Audits and Inspections

June 17 – June 21, 2013

FINAL REPORTS ISSUED:

- Examination Report on Area Community Services Employment and Training Council – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-13-23, June 18, 2013)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Assistance Program (Weatherization Program) received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Michigan received over \$250 million in Weatherization Program Recovery Act grant funding, of which \$3.58 million was allocated to the Area Community Services Employment and Training Council (ACSET). The State of Michigan's Bureau of Community Action and Economic Opportunity under the Department of Human Services was responsible for administering Weatherization Program grants, including funds provided to ACSET.

The Office of Inspector General contracted with Lanl Eko & Company, CPAs, PLLC, to examine ACSET's compliance with laws, regulations and program guidelines applicable to the Weatherization Program.

The examination found that ACSET had not properly verified applicant and unit eligibility. Additionally, ACSET had not ensured initial weatherization services provided, and subsequent re-work performed, met the quality of work standards of the Weatherization Program. Further, ACSET had not maintained proper documentation sufficient to ensure compliance with Weatherization Program requirements as they specifically apply to final inspections. The Department concurred with our recommendation will continue to monitor billing, eligibility determinations, and trend analysis as part of its grant oversight responsibility.

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

- Examination Report on Southwest Michigan Community Action Agency – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-13-24, June 18, 2013)

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Assistance Program (Weatherization Program) received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades.

The State of Michigan received over \$250 million in Weatherization Program Recovery Act grant funding, of which \$6.69 million was allocated to the Southwest Michigan Community Action Agency (Southwest). The State of Michigan's Bureau of Community Action and Economic Opportunity under the Department of Human Services was responsible for administering Weatherization Program grants, including funds provided to Southwest.

The Office of Inspector General contracted with Lani Eko & Company, CPAs, PLLC (Lani Eko), to examine Southwest's compliance with laws, regulations and program guidelines applicable to the Weatherization Program. The examination found that Southwest had inaccurately stated "Jobs Created and Retained" hours in its quarterly reporting and had not provided evidence that findings noted by the inspector in the Final Inspection Report had been addressed. The Department concurred with the recommendation will continue to monitor billing processes, eligibility determinations, and trend analysis as part of its grant oversight responsibilities.

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

- Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Michigan* (OAS-RA-13-25, June 18, 2013)

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Weatherization Assistance Program (Weatherization Program) received \$5 billion to improve the energy efficiency of residences owned or occupied by low-income persons. The Department subsequently awarded a Recovery Act Weatherization Program grant of over \$250 million to the State of Michigan, which included an additional Recovery Act award of nearly \$7 million of Sustainable Energy Resources for Consumers funding. This grant provided roughly 10 times the \$26 million in Department funds available to Michigan for weatherization in Fiscal Year 2009. The Michigan Bureau of Community Action and Economic Opportunity administers these Recovery Act grants through 31 local community action agencies and a limited purpose organization.

We reviewed three of Michigan's local agencies – City of Detroit Department of Human Services, Area Community Services Employment and Training Council (ACSET), and Southwest Michigan Community Action Agency (Southwest) – to determine if it had effectively managed the Weatherization Program. This report focused on conditions common to the local entities reviewed; however, we have issued separate reports on ACSET and Southwest, under separate covers, for conditions specific to those entities.

We identified opportunities for Michigan and the three local agencies reviewed to improve management of the Weatherization Program. For instance, we found persistent problems with the quality of weatherization work. Also, we found that eligibility for weatherization services had not always been properly verified, and the local agencies had requested reimbursement for weatherization services that had either not been completed or had never been performed.

Overall, we questioned \$115,800 for reimbursement of weatherization services that had not been completed or verified as completed or were potentially ineligible. The Department concurred with our recommendations designed to improve the Weatherization Program in the areas of quality of work, financial monitoring and eligibility determination.

(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Audit Report on Department of Energy's Interconnection Transmission Planning Program Funded through the American Recovery and Reinvestment Act of 2009 (OAS-RA-13-26, June 19, 2013)**

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Office of Electricity Delivery and Energy Reliability received about \$4.5 billion to modernize the electric grid. About \$80 million of this funding was designated for the Interconnection Transmission Planning Program to facilitate the development or strengthening of capabilities in each interconnection. The transmission infrastructure in the United States is separated into three distinct electrical networks, or interconnections – the Western, Eastern, and Texas interconnections. The Department allocated \$60 million to five organizations under cooperative agreements to perform work for the interconnections and \$20 million to the Department's national laboratories to provide technical support to those organizations. The cooperative agreements covered interconnection-level analysis and planning, and coordination and cooperation among states on electric resource planning and priorities.

We found that the Department had generally established and implemented a system of internal controls for managing the announcement, review and selection of cooperative agreement funding recipients. Also, the recipients had released the required planning studies to the public in 2011. However, we found that the Department had not adequately managed reimbursements to recipients for consultant compensation. As such, we questioned the payment of \$86,000 in payments to consultants. Management partially concurred with our recommendations, but provided corrective actions that we considered to be responsive. This report is the third in a series of reports on the Department's funding to modernize the electric grid.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

Audit Report on The Department's Fleet Vehicle Sustainability Initiatives (A12GT051, June 18, 2013)

In Fiscal Year (FY) 2012, the Department of Energy's fleet consisted of 14,457 vehicles operated at a cost of approximately \$131 million. Approximately 72 percent of the fleet vehicles are leased through the General Services Administration (GSA) and the remaining fleet consists of both

Department-owned and commercially leased vehicles. Fleet vehicles are located throughout the complex and are managed by Federal and contractor site fleet managers.

While the Department's fleet managers took steps designed to improve economy and reduce emissions, they had not always updated the vehicle fleet in a cost-effective or efficient manner to

(b)(5) [redacted] Our audit disclosed several opportunities to further improve fleet management at Los Alamos National Laboratory (Los Alamos) the Bonneville Power Administration (Bonneville).

The issues we identified occurred primarily because Departmental policies and procedures had not been updated to reflect changes necessary to achieve optimal fleet inventory with regard to the type and number of vehicles. The Department's decentralized approach to fleet management also contributed to the problems by allowing sites to manage their individual fleet with insufficient focus on optimal vehicle inventory levels, [redacted] (b)(5)

(b)(5) [redacted]
(b)(5) [redacted] We also noted that
(b)(5) fleet vehicles were effectively managed and [redacted] at the Savannah River Site.

During the course of our audit, we also noted that the Department had taken some action to address the issues outlined in our report. In an effort to address the high use of gasoline in AFVs, the Department moved to require that Los Alamos and Bonneville increase its use of alternative fuel. While the corrective actions we observed are positive, additional effort is needed to address the problems we observed. We made several recommendations designed to [redacted] (b)(5)

(b)(5) [redacted]

(b)(6) Team Leader: [redacted]

(b)(6) AIC [redacted]

Audit Report on Follow-up Audit of the Department of Energy's Financial Assistance for Integrated Biorefinery Projects (A12RA013, June 18, 2013)

The Department's Bioenergy Technologies Office (Program) supports the development of renewable biomass resources into commercially viable [redacted] biofuels, bioproducts (b)(5) and biopower. [redacted] the Program provides

(b)(5) financial assistance for Integrated Biorefinery projects to assist in building and operating facilities at each scale of development: pilot, demonstration and commercial.

Despite over 7 years of effort and the expenditure of about \$603 million, the Department had not yet achieved its biorefinery development and production goals. Specifically, the Program had not satisfied its *Energy Policy Act of 2005* mandate to demonstrate the commercial application of Integrated Biorefineries and was not on target to meet its biofuels production capacity goal. While the Program reported meeting its goal to demonstrate the successful operation of three Integrated Biorefineries by 2012, we noted that none of these Refineries were at the commercial scale. Additionally, we found that the Program had not fully addressed Independent review panel recommendations to improve Program management in the future.

Additionally, we found that the Department was not on target for achieving its 2014 production capacity goal of 100 million gallons of advanced biofuels. More than half of the projects

specifically identified to contribute toward the goal had been terminated. As a result, in November 2012, the Program reduced its 2014 goal to 80 million gallons. Officials stated that other remaining projects expected to contribute to the goal are slated to be operational by the end of 2014.

As a result of the challenges we noted, the Department is likely to be further delayed in the successful implementation of a commercial-scale Integrated Biorefinery, negatively affecting achievement of the Department's Strategic Plan goal to promote energy security and the *Energy Independence and Security Act of 2007* national goal of increasing the supply of advanced biofuels to 21 billion gallons by 2022. Additionally, project delays and terminations increase the risk of wasteful spending as the Department may continue to fund projects that ultimately are terminated without achievement of the project objectives. Finally, in some cases, project completion delays have negatively affected the Department's implementation of the American Recovery and Reinvestment Act of 2009.

Despite these improvements made by the Department, further actions are needed to fully validate the technology, analyze factors leading to the termination of an Integrated Biorefinery project, and to formalize its lessons learned. Accordingly, we made recommendations to the Department to improve the management of the Program.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

- An entrance conference was held on Thursday, June 20, 2013 regarding the "Follow-Up Audit of Intergovernmental Personnel Act Assignments." The objective of the audit is to determine whether the Department is effectively managing the use of IPA assignments and whether the recommendations made in the prior audit have been effectively implemented. In attendance were representatives from the Office of Inspector General, Department and NNSA Headquarters, the NNSA's Albuquerque Complex, Los Alamos Site Office, Livermore Site Office and Sandia Field Office.

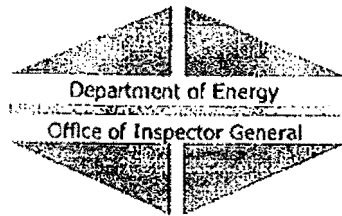
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Weekly Activity Report
Office of Audits and Inspections

June 24 – June 28, 2013

FINAL REPORTS ISSUED:

- Audit Report on Mitigation of Natural Disasters at Los Alamos National Laboratory (OAS-M-13-04, June 24, 2013)

Los Alamos National Laboratory (Los Alamos) is at some risk of seismic events and susceptible to forest fires, including those started by lightning. Since 2000, there have been two major forest fires that threatened Los Alamos.

Although Los Alamos had made progress in upgrading existing nuclear facilities, concerns remained regarding the mitigation of risks related to natural disasters. Specifically, we found seismic issues affecting the Plutonium Facility that remain to be addressed. Additionally, we found that fire protection and prevention vulnerabilities in Area G Waste Storage and Disposal Facility (Area G) continue to exist. Further, we found that several known risks exist with compensatory measures implemented in Area G that may lessen their efficacy in mitigating natural disasters. Los Alamos' processes and procedures have not always been fully effective in ensuring that hazards, including natural disasters, are fully analyzed and effectively mitigated.

National Nuclear Security Administration officials responsible for overseeing Los Alamos pointed out that decisions to budget and schedule mitigation measures are based on factors including the probability of an event occurring, such as a seismic event, and whether a structure is considered to be a permanent or limited life facility. While a number of compensatory and corrective actions have been completed, in our view, further actions are needed to mitigate existing vulnerabilities. Management concurred with the report's recommendations and indicated that corrective actions have been or would be initiated to mitigate potential risks.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Fiscal Year 2011 Audit of the Work Performed Under the Work for Others Program at the Lawrence Berkeley National Laboratory (OAS-L-13-10, June 24, 2013)

The Office of Inspector General contracted with an independent certified public accounting firm, KPMG, LLC (KPMG) to determine whether Lawrence Berkeley National Laboratory (Berkeley) met the internal control and compliance requirements established by the Department to achieve the current goals and objectives of the Work for Others (WFO) Program.

KPMG concluded that, except for the finding detailed in the attached report, Berkeley implemented internal controls and compliance procedures in Fiscal Year 2011 that met the Department of Energy's (Department) WFO Program requirements, as stated in Department regulations, guidance, and applicable contract provisions. Specifically, KPMG found that costs relating to Berkeley's WFO support organization, the Office of Sponsored Projects and Industry Partnerships, were included in the general and administration cost pool that is allocated to both WFO projects and other Department projects on an organization-wide basis, rather than using an allocation base that bears a more direct causal beneficial relationship to the support organization's costs. KPMG estimated that if the Department implemented a separate indirect rate for this support organization, the annual savings would be approximately \$400,000. Further, KPMG noted that corrective action from a September 2010 Berkeley Internal Audit Division Time and Effort Reporting audit related to the accuracy of labor distribution to WFO and the Department's non-WFO projects had not been implemented as of October 31, 2012.

The Berkeley Site Office did not agree with the finding and recommendation made in the report, and believes that the current allocation method complies with Cost Accounting Standards.

(b)(6)

Technical Monitor:



DRAFT REPORTS ISSUED:

- **Audit Report on *The Department of Energy's Hydrogen and Fuel Cells Program* (A12RA01, June 24, 2013)**

The Hydrogen and Fuel Cells Program within the Office of Energy Efficiency and Renewable Energy (EERE) coordinates the Department's efforts across four Program Offices – EERE, Science, Nuclear Energy and Fossil Energy – to promote the widespread use of hydrogen and fuel cells to help build a competitive, secure and sustainable clean energy economy.

(b)(5)

(b)(5)



The Department spent approximately \$1 billion over the last 5 years on Hydrogen and Fuel Cells Program activities implemented through various projects at Federal laboratories, universities, non-profit institutions, Government agencies and industry participants. The Department also provided an additional \$42 million in American Recovery and Reinvestment Act of 2009 funding to accelerate the commercialization and deployment of fuel cells. As of April 2013, there were nearly 300 ongoing projects funded at the national laboratories and managed through grants and cooperative agreements.

We found the Department had not always effectively managed the financial aspects of the Hydrogen and Fuel Cells Program. For instance, we found that the Department approved and reimbursed unsupported and/or unallowable costs at 9 of the 10 recipients included

in our review. Further, the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and complied with applicable policies, procedures and best practices.

The issues we identified occurred, in part, because program officials had not always provided effective monitoring and oversight and/or adequate guidance to ensure that required financial and accounting policies and procedures had been properly adhered to on a consistent basis. The lack of attention to financial monitoring of recipients increased the risk that questionable and/or unallowable costs would be charged to the Department and reduce the amount of funds available to complete projects. Accordingly, we questioned more than [redacted] million in reimbursements to Hydrogen and Fuel Cells Program recipients included in our review.

We made several recommendations that, if fully implemented, should improve the Department's control over the financial aspects of hydrogen and fuel cell projects.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- Audit Report on *The Department of Energy's Management of Contractor Responsibility Determinations* (A12GT018, June 25, 2013)

From January 2010 to January 2012, the Department's Office of Headquarters Procurement Services (Headquarters Procurement) and the National Nuclear Security Administration's Office of Acquisition Management in the Albuquerque Complex (Albuquerque Procurement) awarded contracts totaling approximately \$6 billion to 1,315 contractors included in our review. The President's January 2010 memorandum for the Heads of Executive Departments and Agencies noted that the Federal government pays more than half a trillion dollars a year to contractors and has an important obligation to protect American taxpayer money and the integrity of the Federal acquisition process. Federal procurement regulations require that contractors certify they meet eligibility requirements. Contracting officers are required to utilize these certifications to make responsibility determinations for all procurements which exceed the simplified acquisition threshold of \$150,000.

We determined that Headquarters Procurement and Albuquerque Procurement did have processes and procedures in place to restrict contracts awards to entities with tax delinquencies and those deemed non-responsible. However, we identified opportunities where these processes and procedures could be improved. Specifically, we identified instances in which required offeror representations and certifications were either not completed or were not up-to-date at the time of contract award. In addition, important procurement documentation used in determining a bidder's responsibility was not always included in the official contract files, as required by Department policies and procedures.

The problems we identified occurred, in part, because Headquarters Procurement and Albuquerque Procurement management did not ensure that procurement personnel

consistently implemented controls designed to determine whether a contractor was responsible. In addition, management did not always ensure that the official contract files were properly maintained. To their credit, Headquarters Procurement indicated that as a result of our audit, an automated check and balance system within the Strategic Integrated Procurement Enterprise System (STRIPES) has been proposed to ensure that documentation supporting a responsibility determination is included in the official contract file. According to the Department's Acquisition Guide, affirmative responsibility determinations are an important part of safeguarding agency interests by ensuring awards are made to responsible contractors and taxpayer dollars are used in an effective manner.

We provided a recommendation to address the weaknesses we observed in the contractor self-certification process.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- **Audit Report on Fiscal Year 2011 Work Performed Under the Work for Others Program at Sandia National Laboratories (A12AL047, June 27, 2013)**

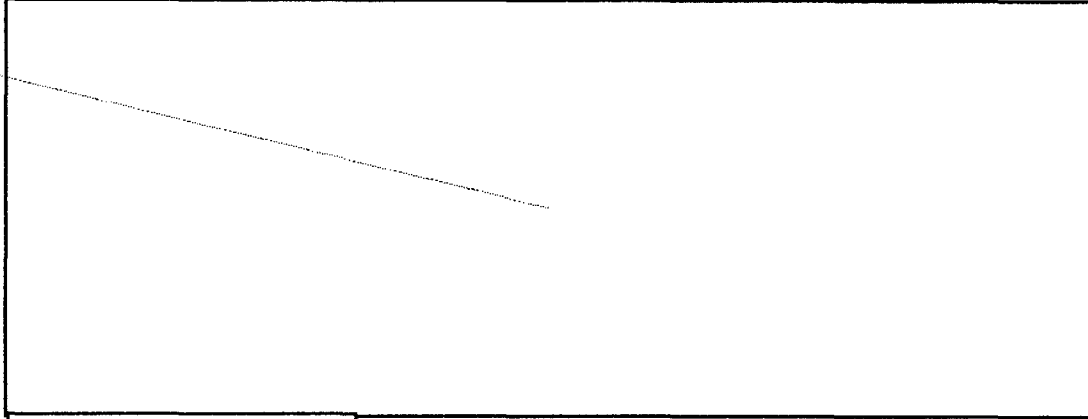
The Department and its semi-autonomous National Nuclear Security Administration (NNSA) provide research and technical assistance to other Federal agencies on a reimbursable, full cost recovery basis through the WFO Program. WFO agreements are also used as a mechanism through which industry can utilize expertise and facilities at Sandia National Laboratories (Sandia), a Federally Funded Research and Development Center. Entities may sponsor Sandia scientists to conduct research in a specific area if researchers can be identified with appropriate and unique capabilities, as well as interest and availability. For FYs 2009 to 2011, Sandia's WFO activities comprised between [redacted] and [redacted] percent of its annual funding. Specifically, WFO funding was [redacted] million in FY 2009, [redacted] million in FY 2010 and [redacted] million in FY 2011.

The Office of Inspector General contracted with an independent certified public accounting firm, KPMG, LLP (KPMG), to assess the internal control structure at Sandia and determine whether it is effective in achieving the current goals and objectives of the WFO Program. KPMG concluded that, except for the findings detailed in the attached report, Sandia implemented internal controls and compliance procedures in FY 2011 that met the Department's WFO Program requirements, as stated in Department regulations, guidance and applicable contract provisions.

KPMG, however, identified several opportunities to strengthen controls over WFO costs. For instance, KPMG found that costs relating to Sandia's WFO support organizations were included in the general and administrative cost pool that was allocated to both WFO projects and other Department projects on an organization-wide basis, rather than using an allocation base that bears a more direct causal beneficial relationship to the support organizations' costs. KPMG estimated that the Department would have an annual savings of approximately \$2.3 million by implementing a separate indirect rate for these support

organizations. KPMG recommended that Sandia consider removing the WFO support organization costs from the general and administrative indirect cost pool, and establish a separate indirect cost pool for allocating these costs to WFO projects.

(b)(5)



(b)(5)

Further, KPMG noted that the cost of implementing a separate indirect rate for the WFO support organizations the \$2.3 million of potential annual cost savings to the Department.

(b)(5)

Given the potential impact of these findings at other Department and NNSA sites, we made recommendations to improve WFO Program at Sandia.

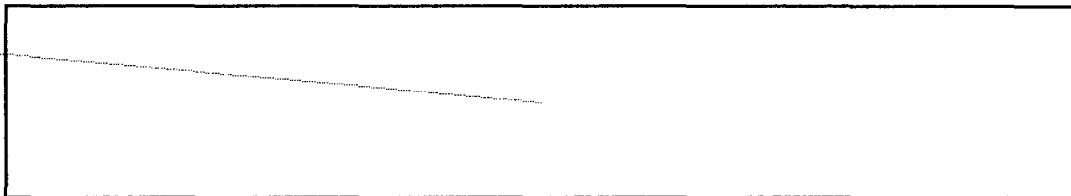
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Technical Monitors:

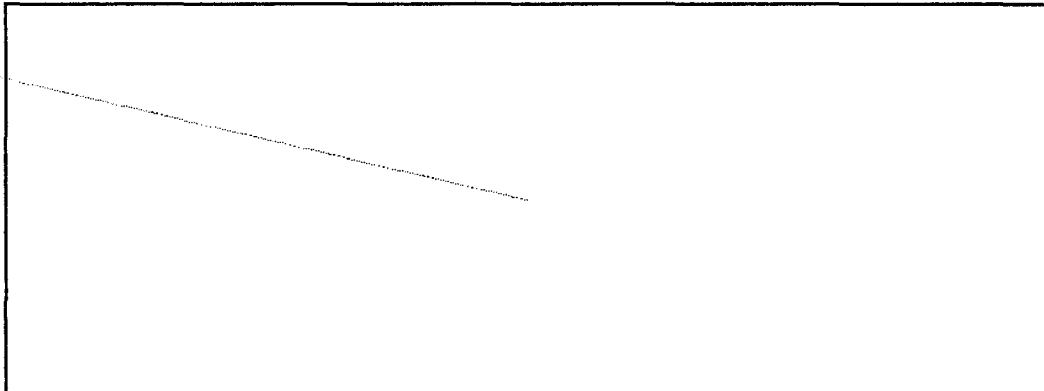


- *Assessment Report on Assessment of Audit Coverage of Cost Allowability for SLAC National Accelerator Laboratory for the period October 1, 2007 thru September 30, 2011 under Department of Energy Contract No. DE-AC02-76-SF00515 (A13LL012, June 25, 2013)*

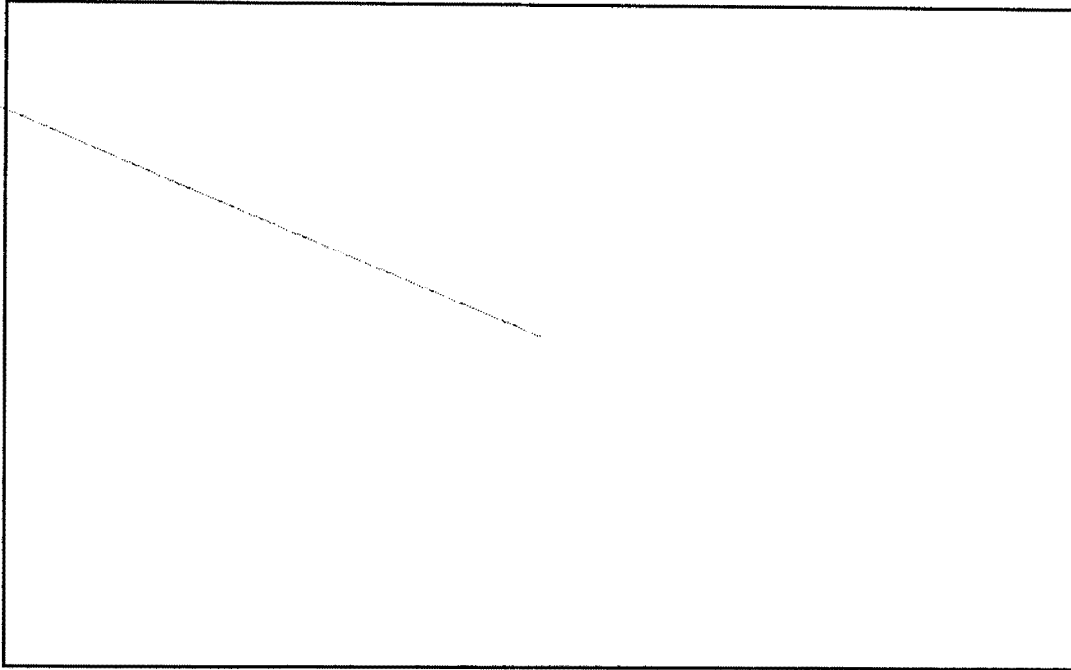
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(b)(5)



(b)(5)



(b)(6)

Team Leader:

(b)(6)

AIC:

OTHER AUDIT/INSPECTION ACTIVITIES:

- An entrance conference was held on Tuesday, June 25, 2013 regarding the audit of "NNSA's Nuclear Detonation Detection Systems." The objective of the audit is to determine whether NNSA is achieving the Nuclear Detonation Detection Subprogram goals to meet customer needs. In attendance were representatives from the Office of Inspector General, NNSA Headquarters, Los Alamos National Laboratory and Sandia National Laboratories.
- An entrance conference was held on Thursday, June 27, 2013 regarding the "Livermore FY 2011-2012 SCIC" audit. The objectives of the audit are to determine whether: (1) Internal Audit conducted cost allowability audits that complied with professional standards and could be relied upon; (2) Contractor conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and (3) Questioned costs and internal control weaknesses impacting allowable costs that were identified in prior audits and reviews have been adequately resolved. In attendance were representatives from the Office of Inspector General, Livermore Field Office, and Lawrence Livermore National Laboratory.

ANNOUNCEMENTS:

No activity reported.

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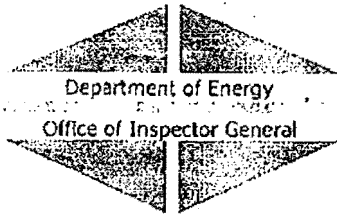
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Weekly Activity Report
Office of Audits and Inspections
July 1 – July 19, 2013

FINAL REPORTS ISSUED:

- Audit Report on Follow-up Audit on Term Assignments of Contractor Employees (DOE/IG-0890, July 2, 2013)

The Department of Energy (Department) frequently assigns facility contractor personnel to the Washington, DC, area on a temporary basis when program officials consider it necessary to obtain technical expertise not available locally. Commonly referred to as term assignments, the estimated cost of all such assignments for Fiscal Year (FY) 2012 was over \$37 million, all of which was reimbursed by the Department. Federal officials authorizing such assignments are required to ensure that costs for assignees are reasonable when compared to other means of acquiring the necessary knowledge and experience.

The Department's management of term assignments had improved since the 2005 report. However, additional opportunities exist to enhance the effectiveness and reduce the cost of the program. Specifically, some allowances appeared excessive, and some varied significantly between the facility contractors providing term assignees. Further, a cost analysis had not been conducted to determine whether cost effective alternatives to term assignments were available, although specifically required by existing Department policy.

The issues we discovered occurred, in part, because of inadequate controls and management oversight. As a result of these lapses, the Department lacked assurance that the cost of technical and program support provided by the facility contractor personnel assigned to Washington was both reasonable and necessary and that this approach was the most efficient, least expensive means of obtaining needed skills. Furthermore, inconsistencies in the dislocation allowances authorized by site contractors likely resulted in unreasonable and unnecessary costs to the Department.

Management concurred with the report's recommendations and identified actions it had taken or planned to address our recommendations and to improve management of term assignments to the Washington, DC, area.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Modular Office Facilities for Recovery Act Program Activities at the Hanford Site (OAS-RA-L-13-04, July 9, 2013)

The Department's Richland Operations Office (Richland) awarded a contract, effective October 1, 2008, to CH2M HILL Plateau Remediation Company (CHPRC) to remediate select portions of the Hanford Site's Central Plateau. As part of the American Recovery and Reinvestment Act of 2009 (Recovery Act), Richland designated \$1.3 billion of Recovery Act funding to the Plateau Remediation Contract to accelerate CHPRC's work scope from April 2009 through September 2011.

Due to the influx of Recovery Act funding in 2009 and the accelerated schedule, CHPRC hired an additional 1,757 employees, including subcontractors. To provide office space for these

temporary employees, CHPRC procured a total of 176 modular facilities consisting of 114 purchased and 62 leased facilities at an approximate total cost of \$29 million.

The Office of Inspector General received an allegation that a number of the facilities CHPRC purchased with Recovery Act funds were either never used or were underutilized. Our review substantiated the allegation. In particular, we discovered that CHPRC incurred as much as \$1.5 million more than necessary by purchasing unneeded modular facilities and almost \$600,000 in lease costs that could have been avoided by more expediently returning leased facilities that were no longer needed. In fact, we found that 7 of 176 facilities purchased with Recovery Act funds were not utilized through September 30, 2011, the date that most Recovery Act work at Richland ended. We could not determine whether the remaining facilities were underutilized because the contractor's documentation did not adequately justify the need for all of the facilities. Management generally concurred with the suggested actions in our report.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]

- Inspection Report on Follow-up Inspection on Characterization Wells at Los Alamos National Laboratory (INS-L-13-05, July 9, 2013)

Since the early 1940's, the Los Alamos National Laboratory (Los Alamos) has conducted experimental research on the development of nuclear weapons and explosive materials. These activities have resulted in the generation and disposal of a variety of hazardous, radioactive, and solid wastes. In 1998, Los Alamos developed a workplan that established the basis for characterizing the hydrogeologic system beneath the facility. Implementation of the workplan required the installation of 32 regional aquifer wells, commonly referred to as characterization wells.

In our September 2005 report on Characterization Wells at Los Alamos National Laboratory, (DOE/IG-0703), we noted that the use of mud rotary drilling methods during well construction was contrary to specific constraints established in Resource Conservation and Recovery Act guidance. We also noted that muds and other drilling fluids that remained in certain wells after construction created a chemical environment that could mask the presence of radionuclide contamination and compromise the reliability of groundwater contamination data.

Our follow-up inspection found that Los Alamos had taken action designed to improve the management of its characterization well program. Specifically, we noted that Los Alamos no longer uses mud rotary drilling methods during well construction, and appropriate steps have been taken to ensure data derived from monitoring wells is reliable. Additionally, we found that responsibility for the monitoring well program had been transferred to the New Mexico Environmental Department.

(b)(6) Team Leader: [REDACTED]
(b)(6) Project Lead: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Safety Aspects of Wet Storage of Spent Nuclear Fuel (OAS-L-13-11, July 10, 2013)

The Department is responsible for managing and storing spent nuclear fuel (SNF) generated by weapons and research programs and recovered through nonproliferation programs. The SNF consists of irradiated reactor fuel and cut up assemblies containing uranium, thorium and/or plutonium. The Department stores 34 metric tons of heavy metal SNF primarily in two wet storage basins located at the Savannah River Site and the Idaho National Laboratory.

Wet storage requires operational vigilance and reliance on mechanical systems to ensure the safety of workers, the public and the environment. The risk associated with long-term wet storage of SNF is well-demonstrated by the recent disaster in Japan. While not subject to damage from tsunamis, environmental or mechanical issues are within the realm of possible damage scenarios faced by the Department's SNF storage facilities.

Because it lacks a clear disposition path, the Department had not developed definitive plans to dispose of its SNF. In Fiscal Year 2010, the Department withdrew its intent to develop a geological repository at Yucca Mountain, Nevada to dispose of SNF and high-level waste. Then in 2011, the Department deferred processing aluminum-clad SNF, some of which is in wet storage, until recommendations of the Blue Ribbon Commission on America's Nuclear Future were issued and evaluated. As a consequence, the Department determined it must maintain interim SNF wet storage facilities longer than planned and until disposition options become available.

Given the lack of disposition paths, the Department is taking steps to manage the safety of its SNF wet storage basins, namely L-Basin and CPP-666. Our review revealed that, as required by both Federal and Department regulations, program officials had analyzed the risks related to storage, documented these analyses, and concluded that the continued use of the wet storage facilities was appropriate. While the Savannah River Site has initiated activities designed to support the prolonged storage of SNF in L-Basin, completion of these activities is being deferred due to funding constraints.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Examination Report on Commonwealth of Puerto Rico Energy Affairs Administration – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-13-27, July 15, 2013)

As part of the Recovery Act, the Energy Efficiency and Conservation Block Grant (EECBG) Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. Commonwealth of Puerto Rico Energy Affairs Administration's (Puerto Rico) received a \$9.6 million formula EECBG grant award that was to be expended over a 3-year period from September 21, 2009 through September 20, 2012. Puerto Rico requested and received an extension of its grant to March 31, 2013.

The Office of Inspector General contracted with an independent certified public accounting firm to express an opinion on Puerto Rico's compliance with Federal and Commonwealth of Puerto Rico laws, regulations and program guidelines applicable to the EECBG Program.

The examination found that except for the significant deficiencies described in its report, Puerto Rico complied in all material respects with the aforementioned requirements and guidelines relative to the EECBG Program for the period September 21, 2009 through December 31, 2011. For instance, Puerto Rico did not know the status of and had not maintained supporting documentation for four cash advances totaling \$449,000 to ensure funds were used for allowable costs. The Department's comments were responsive to our recommendation.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Management Alert on Allegations Regarding Prohibited Personnel Practices at the Bonneville Power Administration (DOE/IG-0891, July 16, 2013)

In June 2012, the Office of Inspector General received an anonymous complaint alleging prohibited personnel practices at Bonneville Power Administration (Bonneville).

Based on our work to date, we have reached a preliminary conclusion that Bonneville engaged in a number of prohibited personnel practices. Notably, Bonneville's hiring practices appeared to have effectively disadvantaged veterans and other applicants. Such action was inconsistent with concerted efforts by the Federal government to ensure that veterans received appropriate preferential treatment in the hiring process. Equally concerning and the primary reason for the urgency of the management alert, Bonneville has apparently proposed or recently executed a number of personnel actions against certain employees who have cooperated with our review. These actions have a potentially chilling effect on various aspects of our work and, as such, jeopardize our ability to effectively complete our review of the circumstances surrounding inappropriate Bonneville hiring practices. The Department's comments were responsive to our recommendations. Notably, the Department initiated immediate corrective actions.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Inspection Report on Follow-up Inspection on Material Control and Accountability at Los Alamos National Laboratory (INS-O-13-04, July 18, 2013)

The Department's Los Alamos National Laboratory (Los Alamos) is managed and operated under contract by Los Alamos National Security, LLC, for the National Nuclear Security Administration (NNSA). Los Alamos tracks, manages and controls nuclear materials in 64 Material Balance Areas (MBAs). Our September 2007 report on *Material Control and Accountability at Los Alamos National Laboratory*, (DOE/IG-0774) identified weaknesses regarding the control and accountability of nuclear materials. Management committed to implementing the report recommendations and to taking appropriate corrective actions. We initiated this inspection to determine if Los Alamos implemented the planned corrective actions intended to improve the policies and procedures for inventory, transfers, characteristics and locations of nuclear materials related to the MC&A Program.

While several corrective actions were completed on the recommendations included in our prior report, our inspection revealed that Los Alamos continued to experience problems with the accountability of certain nuclear materials controlled under its MC&A Program. Specifically, our testing of 15 MBAs revealed instances in which nuclear materials were not maintained in the correct location, properly labeled or correctly identified in the Los Alamos MC&A database. The issues we identified occurred, in part, because Los Alamos personnel did not always provide effective oversight to ensure the control and accountability of nuclear materials. Specifically, Los Alamos did not ensure that its accounting record system accurately reflected the identity and location of nuclear materials as required by Department Manual 470.4-6, *Nuclear Material Control and Accountability*. Management generally agreed with our findings and recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Costs Incurred by Selected Tribal Energy Efficiency and Conservation Block Grant Recipients (OAS-RA-13-28, July 18, 2013)

Under the American Recovery and Reinvestment Act of 2009, the Department of Energy's (Department) Energy Efficiency and Conservation Block Grant (EECBG) Program received \$3.2 billion to improve energy efficiency and reduce energy use and fossil fuel emissions. The Department's Office of Energy Efficiency and Renewable Energy allocated about \$2.7 billion of the funds using a population-driven formula to over 2,000 entities including states and territories, cities and counties, and Native American tribes. The Navajo Tribal Utility Authority (NTUA), the Cherokee Nation, Muscogee Creek Nation, Choctaw Nation of Oklahoma, and Chickasaw Nation received the largest tribal EECBG grants, which totaled \$13.9 million and represented approximately 25 percent of the total EECBG funds awarded to Native American tribes. As of December 31, 2012, approximately \$12 million of these funds had been expended by the five recipients.

Our review identified \$518,994 in questionable costs reimbursed by the Department to two of the five largest tribal recipients of EECBG funds. For instance, NTUA did not follow applicable Federal regulations or have adequate support related to allocability and allowability for \$517,794 in costs reimbursed by the Department for consulting, legal and administrative costs. The majority of questioned costs occurred because NTUA failed to follow its own policies and procedures related to procurement of services, to adequately review legal expenditures charged to the grant prior to seeking reimbursement, and to adhere to Federal regulations requiring the adequate support of allowable administrative charges.

Department officials concurred with the findings and recommendations and had been working with the tribal recipients to ensure all corrective actions were implemented. The Department's corrective actions are responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- Audit Report on Lawrence Livermore National Laboratory's Use of Time and Materials Subcontracts (A12LL044, July 9, 2013)

The mission of Lawrence Livermore National Laboratory (Livermore) is to strengthen the United States' security through development and application of science and technology to enhance the Nation's defense, reduce the global threat from terrorism and weapons of mass destruction, and respond to scientific issues of national importance. Livermore is operated by Lawrence Livermore National Security, LLC, for the Department of Energy's (Department) National Nuclear Security Administration (NNSA). In accomplishing its mission, Livermore uses a variety of subcontracting types, including time and materials subcontracts. As of January 1, 2010, the total contract value of Livermore's subcontracts greater than \$250,000 was approximately \$1.7 billion, of which about \$655 million were time and materials subcontracts.

We found that Livermore had not always procured services through time and materials subcontracts in the most effective and efficient manner. Our testing revealed that some sole source justifications were not fully supported as required by Federal regulations and internal policies and procedures. We also found that in two of the sole source subcontracts, Livermore did not perform an adequate price analysis. As a consequence, we could not determine and Livermore did not demonstrate that the decision to award these particular time and materials subcontracts was in the best interest of NNSA.

The use of time and materials subcontracts helps Livermore fulfill its mission. We made recommendations to improve Livermore's procurement of services through this type of contracting instrument and ensure that the subcontracts are in NNSA's best interest.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Inspection Report on Accountability and Control of Explosives at the Lawrence Livermore National Laboratory's High Explosives Applications Facility (S121S020, July 12, 2013)**

The High Explosives Applications Facility (HEAF) is a state-of-the-art explosives research facility located on-site at the Lawrence Livermore National Laboratory (Livermore). Livermore is managed and operated by Lawrence Livermore National Security, LLC, for the National Nuclear Security Administration, and the Livermore Field Office is responsible for administering the contract.

The Office of Inspector General received a complaint alleging weaknesses with the controls over physical access to explosive material, as well as weaknesses with explosive inventory control and accountability in the HEAF explosive operations area. We substantiated the allegations regarding weaknesses with controls over access and inventory of explosive materials at HEAF. We found that Secret and Top Secret cleared individuals at Livermore had the potential to access the HEAF explosive operations area even though they lacked specific authorization and/or had not received required safety training. Additionally, we found that Livermore's Safety Access Training, a training requirement for unescorted access to HEAF's explosive operations area, did not adequately address the requirements for unescorted access to the facility's explosive workrooms. Further, a unified perpetual system of records capable of tracking and accounting for explosives acquired, stored and expended at HEAF from acquisition to disposition did not exist.

The identified issues regarding potential unauthorized access occurred, in part, because officials did not adequately consider the risks associated with access at the facility and the increased potential for theft or diversion of explosives. The weaknesses identified with the training occurred because the HEAF Safety Plan's requirement related to unescorted workroom access was not fully incorporated into the Safety Access Training module. In addition, the inventory controls for explosives within HEAF primarily focused on safety, and not tracking and accountability of high-risk personal property such as explosives from acquisition to disposition.

While our review did not identify any incidents involving loss, misuse, or theft of explosive materials, the weaknesses identified with regard to access, training, and inventory controls could increase the potential for theft or diversion of explosive materials at HEAF. We made a number of recommendations designed to improve the controls over access and inventory of explosive materials at HEAF.

(b)(6) Team Lead: [REDACTED]
(b)(6) Project Lead: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Examination Report on Alamo Area Council of Governments – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (A11RA048, July 19, 2013)**

As part of the Recovery Act, the Weatherization Assistance Program (Weatherization Program) received \$5 billion to reduce energy consumption for low-income households through energy

efficient upgrades. The State of Texas received \$327 million in Weatherization Program Recovery Act grant funding, of which \$15.5 million was allocated to the Alamo Area Council of Governments (Alamo) to weatherize approximately 3,000 homes. The State of Texas' Department of Housing and Community Affairs was responsible for administering Weatherization Program grants, including funds provided to Alamo.

The Office of Inspector General contracted with an independent certified public accounting firm, Lani Eko & Company, CPAs, PLLC (Lani Eko), to express an opinion on Alamo's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program.

The examination found that Alamo had falsified Weatherization Program records and incurred unallowable costs of \$146,850 for forensic audits and reviews to determine the extent of the program's mismanagement. Further, Alamo improperly weatherized multi-family dwellings and Lani Eko questioned the allowability of the \$21,904 in costs incurred for the weatherization of those buildings. The report makes recommendations to Alamo to improve its administration of the Weatherization Program.

(b)(6)

Team Leaders:

(b)(6)

Staff:

- **Audit Report on *The Resumption of Criticality Experiments Facility Operations at the Nevada National Security Site* (A12AL033, July 19, 2013)**

The mission of the Criticality Experiments Facility, located at the Los Alamos National Laboratory (Los Alamos) was to conduct nuclear criticality experiments and hands-on training in nuclear safeguards, criticality safety and emergency response in support of the National Criticality Safety Program (NCSP). Citing safety and security concerns, in 2004 the National Nuclear Security Administration (NNSA) halted criticality experiments at Los Alamos and authorized a capital project to transfer this capability to the Device Assembly Facility at the Nevada National Security Site (Nevada). The Nevada Field Office provided oversight of the project, which was managed through a joint project team composed of Los Alamos, Lawrence Livermore National Laboratory (Livermore), National Security Technology, LLC (NSTec), and Wackenhut Services International. The project remodeled a portion of the Device Assembly Facility to form the National Criticality Experiments Research Center (NCERC). Four criticality machines were transferred from Los Alamos to NCERC as part of this project. The Project Execution Plan listed a target date of May 2010 for approval for start-up of the new facility.

We found that NNSA restored many of the former capabilities of the Criticality Experiments Facility at the NCERC in Nevada. We noted, however, that several problems with start-up activities resulted in delays in restoring the full array of experimental capabilities included in the project. Specifically, NNSA was unable to authorize the start-up of NCERC operations until May 2011. The program experienced further delays in the start-up activities of each criticality machine, with completion of start-up activities for one machine delayed about 2 years. Further, NCERC has been unable to restore its full capability to perform plutonium-based criticality experiments.

The delays in restoring capabilities occurred because NNSA had not ensured that contractors had developed adequate procedures for correcting concerns identified during the process to authorize the start-up of NCERC, the safety basis documentation matched facility conditions, and procured safety equipment met cited standards. Additionally, NNSA had not ensured effective management of the multiple contractors involved in developing and amending the safety basis documentation, which ensures that nuclear operations can be conducted without undue risk to workers and the public. Finally, NNSA has struggled to successfully integrate and resolve issues

between the multiple contractors involved in NCERC facility operations. We made recommendations to improve operational efficiency at the NCERC.

(b)(6)

Team Lead: [REDACTED]

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

ANNOUNCEMENTS:

(b)(6)

• Soonseng Seetho and his wife [REDACTED] welcomed their [REDACTED] into the world on [REDACTED]

(b)(6)

(b)(6)

2013. [REDACTED] Ashley and Soonseng are all doing fine.

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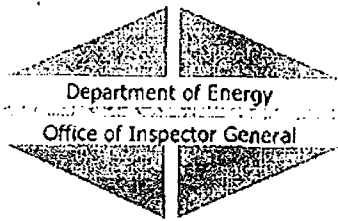
Assistant Inspector General for Inspections

Director for Planning, Administration & Quality Assurance

Division Directors

Assistant Division Directors

Team Leaders



Weekly Activity Report
Office of Audits and Inspections
July 22 – July 26, 2013

FINAL REPORTS ISSUED:

- Audit Report on The Department of Energy Vehicle Technologies Program's \$135 Million in Funding to Ecotality, Inc. (OAS-RA-13-29, July 25, 2013)

The Department of Energy's Vehicle Technologies Program aims to decrease U.S. oil dependence by developing and deploying advanced transportation technologies. The scope of the Program was significantly increased when it received approximately \$2.8 billion in funds as part of the American Recovery and Reinvestment Act of 2009. Subsidiary companies of Ecotality, Inc. received about \$35 million from 2005 to 2011, for two multi-year projects to test and evaluate advanced technology vehicles. In 2009, Ecotality was awarded a Recovery Act grant for about \$100 million for electric vehicle demonstration and infrastructure evaluation. For this award, Ecotality planned to install three different types of charging stations for electric vehicles in various geographical regions around the country.

Our review identified opportunities to improve the effectiveness of the Department's administration of its awards to Ecotality. We noted that the Department had not adequately documented its consideration of alternatives before making significant changes to Ecotality's Recovery Act project. Additionally, the Department had not ensured that the selection of commercial charging station locations was based on a process that advanced the goals of the project. Further, the Department had not ensured that Ecotality's awards were finalized in a timely manner. We did not find that the cost-share concept for this project was prohibited under Federal regulations; however, we concluded that the cost-share arrangement was unusual and provided Ecotality with a very generous cost-share credit.

We made several recommendations to address the issues we observed and to improve the management of this and similar projects. Management concurred with our recommendations and indicated that it had completed or initiated corrective actions that were responsive to our recommendations.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

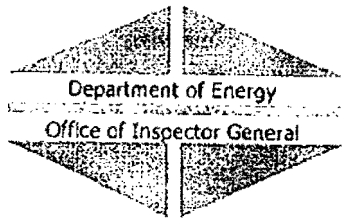
No activity reported.

ANNOUNCEMENTS:

No activity reported.

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Assistant Division Directors
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Weekly Activity Report
Office of Audits and Inspections
July 29 – August 9, 2013

FINAL REPORTS ISSUED:

- Audit Report on The Kansas City Responsive Infrastructure Manufacturing and Sourcing Program (OAS-L-13-12, August 1, 2013)

The Kansas City Plant, managed and operated by Honeywell Federal Manufacturing & Technologies, LLC (Honeywell), is the Department of Energy's (Department) National Nuclear Security Administration's (NNSA) primary production site for non-nuclear weapon products. As part of the Kansas City Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) Program, Honeywell is in the process of relocating the Plant operations at the Bannister Federal Complex in Kansas City, Missouri to the newly constructed National Security Campus. During and after the Plant relocation, production shutdowns are required. Additionally, some manufacturing processes and parts will have to be requalified at the Campus before the Plant can use the parts or deliver the parts to other NNSA sites.

Our review indicated that Plant officials have established plans to ensure that non-nuclear components needed to support the stockpile are available throughout the relocation and requalification periods. Specifically, the Plant outsourced selected technologies and developed plans to build-ahead non-nuclear components to meet projected demands.

Our review established that the Plant had started planning for requalification of manufacturing processes to be used and parts to be manufactured at the Campus. We observed, however, that some of the Engineering Evaluation Plans used to evaluate processes or parts for requalification were missing information and will need to be updated on a schedule that meets production requirements. Because the Requalification Readiness Assessments are currently underway, we did not make any formal recommendations regarding the requalification of parts and processes. However, we made suggestions to ensure that parts produced by the Plant after relocation will meet the Design Agencies' requirements.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Cost Transfers at the Department's Sodium Bearing Waste Treatment Facility Construction Project (OAS-M-13-03, August 8, 2013)

In 2005, the Department of Energy (Department) awarded the Idaho Cleanup Project contract to CH2M + WG Idaho, LLC (CWI) to remediate the Idaho National Laboratory, which included the Sodium Bearing Waste Treatment Facility construction project. The primary mission of this facility was to treat approximately 900,000 gallons of radioactive sodium bearing liquid waste at a Federal baseline construction cost of \$461 million, which was approved in December 2006. Due to significant cost escalation, the Department approved a revised Federal project baseline in January 2009, to a cost of \$571 million and a completion date of August 2011.

Between April and November 2010, CWI made seven funding determinations, transferring \$13.1 million to other non-project operational accounts from the \$571 million approved project cost. In January 2011, the Department approved a revision to the project baseline that delayed project completion to December 2011, but did not change the project's estimated costs. The Department

requested that the Office of Inspector General determine whether the transferred costs were direct project costs that should have remained with the project.

We found that three of the seven cost transfers totaling \$7.9 million represented direct costs of the project, specifically, \$3.8 million for a waste transfer line and tie-in, \$4 million for mineralization testing, and \$107,000 for portable bathrooms. As such, we found that these costs were not appropriately charged to the project because CWI did not consider all pertinent facts, and we concluded that the costs should not have been transferred. Additionally, we found that four of the seven cost transfers, valued at \$5.2 million, were for activities that were not direct project costs or had been appropriately shared pro rata with other projects in accordance with Department and CWI accounting and project management principles. Management concurred with the report's recommendations and identified actions it had taken to address the issues we reported.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Lawrence Livermore National Laboratory's Use of Time and Materials Subcontracts (OAS-M-13-06, August 8, 2013)

The mission of Lawrence Livermore National Laboratory (Livermore) is to strengthen the United States' security through development and application of science and technology to enhance the Nation's defense, reduce the global threat from terrorism and weapons of mass destruction, and respond to scientific issues of national importance. Livermore is operated by Lawrence Livermore National Security, LLC, for the Department's National Nuclear Security Administration (NNSA). In accomplishing its mission, Livermore uses a variety of subcontracting types, including time and materials subcontracts.

We found that Livermore had not always procured services through time and materials subcontracts in the most effective and efficient manner. Our testing revealed that some sole source justifications were not fully supported as required by Federal regulations and internal policies and procedures. Specifically, we found that Livermore had not fully justified sole source selection for 6 of 7 subcontracts included in our judgmental sample of 12 time and materials subcontracts. We also found that in two of the sole source subcontracts, Livermore did not perform an adequate price analysis. For instance, we determined that if Livermore had hired a Chief of Staff at a rate similar to the highest rate of another Livermore Chief of Staff, it could have saved about \$533,423. Further, we estimated that had Livermore performed a more thorough price analysis and reached an agreement for the lower rates at the beginning of the most recent construction subcontract, it could have saved about \$390,739. As a consequence, we could not determine and Livermore did not demonstrate that the decision to award these particular time and materials subcontracts was in the best interest of NNSA.

This report is one in a series of reports that the Office of Inspector General has issued highlighting concerns with subcontracting by the Department's management and operating contractors. Management concurred with the report's recommendations and proposed corrective actions that were responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- Draft Audit Report on *The Department of Energy's Energy Innovation Hubs* (A12CH029, July 30, 2013)

The Department's Energy Innovation Hubs (Hubs) initiative addresses research challenges with potentially high impact on our national energy security that have proved the most resistant to solution by conventional research and development management structures. The Hubs are composed of highly collaborative teams integrating expertise in multiple scientific disciplines, engineering fields and technology areas. Currently, there are three active Hubs: (1) the Fuels from Sunlight Hub, (2) the Energy Efficient Buildings Hub, and (3) the Modeling and Simulation Hub.

We found that the Hubs initiative was generally satisfying the specific Federal, Department and programmatic requirements that we evaluated during our review. Most notably, the Department selected each Hub following a rigorous merit review process using criteria described in the Funding Opportunity Announcement. Although our review did not identify material concerns regarding Hub operations, we identified several areas warranting management attention by the Department. Specifically, the Department had not effectively managed conference and meeting costs and had not always ensured conflict of interest certifications were obtained and/or retained for all external merit reviewers and Federal employees participating in the Hub selection process as required by Federal Regulation 10 CFR 600.13, *Merit Review*, and the Department's *Merit Review Guide*.

Excessive conference and meeting costs occurred because the Department had not provided sufficient oversight over these costs. In fact, officials at one Hub conveyed to us that it had received advance approval to provide meals and refreshments based on correspondence received from the Contract Specialist. The missing conflict of interest certifications were due to poor recordkeeping practices. Although Department officials stated that they had obtained the certifications, they did not ensure that the certifications were maintained in the award files.

During this period of budget austerity and emphasis on spending reductions, it is important for Federal entities to control travel and conference related costs. We made several recommendations that, if implemented, should improve controls over the Hubs program.

(b)(6) _____ Team Leader: _____
(b)(6) _____ AIC: _____
(b)(6) _____ Staff: _____

- Draft Audit Report on *Department of Energy Quality Assurance: Design Control for the Waste Treatment and Immobilization Plant at the Hanford Site* (A12RL034, August 1, 2013)

The Department is constructing the \$12.2 billion Waste Treatment and Immobilization Plant (WTP) to vitrify approximately 56 million gallons of radioactive and chemically hazardous waste stored at the Hanford Site. To ensure the vitrification process is safe for workers, the public and the environment, the Department required the contractor for the WTP, Bechtel National Inc. (Bechtel), to develop and follow a quality assurance program based on the American Society of Mechanical Engineer's *Quality Assurance Requirements for Nuclear Facility Applications* (NQA-1) Standard. Proper design control information for an NQA-1 compliant facility includes the original design, design changes and approved design deviations. Design control must be robust to preserve alignment between WTP construction and the Authorization Basis, the Department's process for ensuring the safe operations of the facility once construction is completed.

The Office of Inspector General received an allegation that Bechtel was missing design control documentation for the WTP and as such, could not demonstrate that equipment was appropriately manufactured.

We substantiated the allegation. Our review revealed significant shortcomings in the Department's process for managing the design and fabrication changes of waste processing equipment procured for the WTP. The Department had not ensured that Bechtel subjected design changes requested by suppliers to the required review and approval by Bechtel's Environmental & Nuclear Safety Group. Further, the Department had not ensured that Bechtel properly verified that deviations from design requirements that could affect nuclear safety were implemented.

Although the Department and Bechtel have taken actions to address some of the identified deficiencies, we believe that additional actions are necessary to ensure design control for the WTP is maintained and provides the confidence needed for reliance that the design meets the Authorization Basis for safe operations. Accordingly, we made several recommendations to strengthen the Department's quality assurance processes for design control.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- Draft Inspection Report on *Non-Sponsored Work at Lawrence Livermore National Laboratory* (S12IS016, August 8, 2013)

The Office of Inspector General received a complaint alleging that Lawrence Livermore National Laboratory (Livermore): (1) engaged in illegal competition with the private sector by performing work for a non-Federal sponsor; and (2) used the facilities and resources of Livermore inappropriately to perform this outside work. These allegations involve explosives-related work performed at Livermore for a National Geographic documentary about the *Lusitania*, a British passenger ship that sank in May 1915, less than 20 minutes after being struck by a torpedo.

We substantiated certain aspects of the allegation regarding non-sponsored work at Livermore. Specifically, we found that Livermore did not adequately consider the prohibitions against a Federally Funded Research and Development Center (FFRDC) competing with the private sector when performing work for National Geographic's documentary, *The Dark Secrets of the Lusitania*. Further, we found that Livermore used Department facilities and resources inappropriately, to include \$81,746 in Licensing and Royalty income, to perform work for National Geographic. In addition, the work performed for the documentary did not appear to be consistent with Livermore's mission.

These incidents occurred, in part, because Livermore officials did not adhere to established WFO processes for approving and funding the documentary as a non-reimbursable project for National Geographic. [redacted]

(b)(5) [redacted]
(b)(5) [redacted]

As a result, Livermore may have violated Federal Acquisition Regulation 35.017, Federally Funded Research and Development Centers, by using its privileged information or access to installations, equipment and real property to compete with the private sector. We also noted that Livermore had not established a detailed disposition plan for Licensing and Royalty funds in a manner consistent with Federal regulations and contract terms. Further, Livermore did not always adequately account for its actual use of these funds. As such, Federal officials lacked detail needed for oversight of these funds. Accordingly, we made recommendations to address the issues we identified during this inspection.

(b)(6) Team Leader: [redacted]
(b)(6) Project Lead: [redacted]

- **Inspection Report on *Unclassified Foreign National Visits and Assignments at Oak Ridge National Laboratory* (S12IS003, August 9, 2013)**

In support of its research and development mission, the Department's national laboratories host thousands of foreign national visitors and assignees (foreign nationals) every year for research collaborations and access to scientific user facilities. During calendar year 2012, the Oak Ridge National Laboratory (Oak Ridge), which is managed by UT-Battelle, LLC, hosted approximately 6,400 foreign nationals. Department Order 142.3A, *Unclassified Foreign Visits and Assignments Program*, and Site Security Plan require the Laboratory to assign a host to each foreign national. To address site specific security concerns, host responsibilities are included in the Host Agreement and individual security plan, which is created for each visiting foreign national.

Our inspection revealed that procedures are in place to mitigate risks, but improvements are needed in the implementation of the Department's Foreign National Visits and Assignments Program at Oak Ridge. We determined that contrary to Host Agreements and individual security plans, hosts did not always maintain accountability of foreign nationals as required. In addition, we found that Oak Ridge Office of Counterintelligence officials did not ensure that required Counterintelligence consultations had been documented and completed in the Department's Foreign Access Central Tracking System for foreign nationals prior to their visits. We also found that the Oak Ridge Host Audit Program, which provided management oversight of the Foreign National Visits and Assignments program, had also not been effectively implemented.

Although we did not identify any instances in which export information or other scientific information was inappropriately obtained by a foreign national, the risk that these events could occur is higher than acceptable because of the weaknesses in Oak Ridge's program. The issues we identified with host accountability occurred for a number of reasons. For instance, management elected to keep foreign national hosts the same, regardless of the facility where work was conducted. Management also did not change the hosts because it required a modification of the Oak Ridge Personnel Access System, which would entail a review process of at least 7 days; however, in discussion with pertinent Department officials, we were told that a host change may not require such a lengthy process. Additionally, management did not define escort requirements for foreign nationals in the Site Security Plan and escorts were not required to agree to or sign the Host Agreement and Individual security plans. Further, Oak Ridge provided foreign nationals unaccompanied access to numerous buildings and as such, hosts were unable to ensure that the requirements in the Host Agreement and individual security plan were met. We made several recommendations to improve the implementation of the Department's Foreign National Visits and Assignments Program.

Team Leader: Phillip Holbrook
Project Lead: Bonnie DeCosta
Staff: Bob Krieger

- **Draft Report on *Assessment of Audit Coverage of Cost Allowability for UT-Battelle, LLC under Department of Energy Contract No. DE-AC05-00OR22725 during Fiscal Year 2011* (A13OR037, August 6, 2013)**

(b)(5)



(b)(5)



(b)(5)

[Redacted]

(b)(5)

[Redacted]

(b)(6)

Team Leader: [Redacted]

(b)(6)

AIC: [Redacted]

(b)(6)

Staff: [Redacted]

OTHER AUDIT/INSPECTION ACTIVITIES:

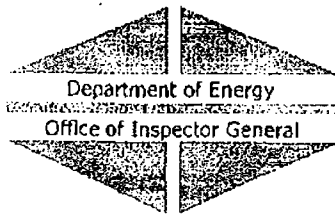
No activity reported.

ANNOUNCEMENTS:

- 2013 Continuity of Operations (COOP) Awareness Annual Training must be completed by September 30, 2013.

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Weekly Activity Report
Office of Audits and Inspections
August 12 – August 16, 2013

FINAL REPORTS ISSUED:

- Audit Report on Southwestern Federal Power System's Fiscal Year 2012 Financial Statement Audit (OAS-FS-13-13, August 12, 2013)

We contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit the Southwestern Federal Power System's (SWFPS) financial statements and reporting on applicable internal controls and compliance with laws and regulations. KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of the SWFPS as of September 30, 2012 and 2011, and the results of its operations and its cash flow for the years then ended, in conformity with U.S. generally accepted accounting principles.

The audit identified an internal control deficiency over Accounting for Utility Plant in which depreciation for additions and betterments to existing plant in service was not recorded in accordance with accounting policies. Additionally, an internal control deficiency over Accounting Policies and Procedures was identified in which appropriate procedures to properly accrue for accounts payable at year end were not in place. U.S. Army Corps of Engineers management agreed with the findings and recommendations and agreed to take the necessary corrective actions by June 30, 2014.

(b)(6)

Technical Monitor: [REDACTED]

(b)(6)

Technical Staff: [REDACTED]

- Audit Report on The Department of Energy's Appliance and Equipment Standards Program (OAS-M-13-05, August 16, 2013)

The *Energy Policy and Conservation Act of 1975* established a national-level energy conservation program for major appliances and called for setting efficiency targets. The Department of Energy's (Department) Appliance and Equipment Standards Program (Standards Program) is tasked with administering these statutory requirements. Since 2010, the Office of Enforcement, within the Office of General Counsel, has collected \$5.6 million in penalties from manufacturers for noncompliance with minimum standards and certification requirements.

Our audit found opportunities for improvement in the administration of the Standards Program. Specifically, we found the Department had not always ensured that manufacturers certified products to meet the minimum standards as required by Federal regulations, and annually re-certified products as required by Federal regulations. Additionally, the Department could not demonstrate that it had provided adequate oversight of the Manufacturer Impact Analysis, a key work-product used by program officials to develop and set minimum standards. We also noted that the Department had not met many of its legislative deadlines for the establishment of test procedures and minimum standards.

We made recommendations to improve the Standards Program and address the identified issues. As a result of our audit, the Department initiated actions to address the 23 uncertified products and 6 products that had not been re-certified by either establishing a new enforcement case or addressing the uncertified products through existing enforcement cases. As of January 2013, the

Department had completed enforcement actions on three of the products we referred to it for enforcement and assessed penalties totaling \$24,000.

(b)(6)

Team Leader: [REDACTED]

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- **Draft Audit Report on *Contract Awards to Small Businesses Under the Mentor-Protégé Program* (A12GT046, August 12, 2013)**

The goal of the Department of Energy's Mentor-Protégé Program is to provide an opportunity for eligible small businesses to receive developmental assistance in business and technical areas. The Department utilizes the Program to increase the participation of small businesses as prime contractors, as well as subcontractors to prime contractors. During Calendar Years 2010, 2011 and 2012, the Department had over 100 mentor-protégé agreements in place.

Our audit disclosed that the Department had not always effectively managed the Program. Specifically, we identified 13 protégés that, prior to entering the program, appeared to possess the capabilities typically developed by small businesses through participation in the Program. Additionally, we identified six mentor-protégé agreements with durations that appeared excessive. Further, we identified four protégés that successfully graduated from the Program at one Department site and subsequently entered into mentor-protégé agreements at other sites.

These issues occurred because the Department did not have an adequate control structure in place for effective oversight of the Program. Specifically, the Department lacked sufficient policies to assist mentors in the solicitation and selection of protégés, did not monitor the progress of each protégé throughout the duration of the agreement, and did not maintain an adequate tracking system to accurately account for all protégés. We have made recommendations designed to improve the Department's implementation of the Program.

(b)(6)

Team Leader: [REDACTED]

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

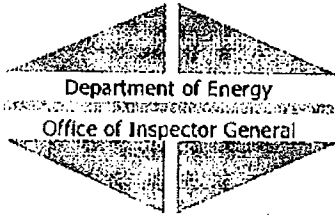
No activity reported.

ANNOUNCEMENTS:

- **UPCOMING TRAVEL DEADLINES:** Local Vouchers must be approved no later than 9/20/13 in order to use FY 2013 funds – local travel vouchers submitted after 9/20/13 will need to use FY 2014 funds and cannot be submitted until FY 2014 funds become available. To the extent possible, travel vouchers should be submitted no later than 9/20/13 – vouchers submitted between 9/20/13 and 10/1/13 will be processed but payment may be delayed. Travel authorizations using FY 2013 funds must be approved no later than 9/27/13 and the travel must be completed no later than 11/7/13 (Thursday).
 - 2013 Continuity of Operations (COOP) Awareness Annual Training must be completed by September 30, 2013.
-

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Weekly Activity Report
Office of Audits and Inspections
August 19 – August 23, 2013

FINAL REPORTS ISSUED:

- Inspection Report on *Allegations of Irregular Hiring Practices and Preferential Treatment in the Loan Programs Office* (INS-L-13-06, August 21, 2013)

The Department of Energy's (Department) Loan Programs Office (LPO) grants and monitors loans to private sector entities to develop new clean energy technologies. LPO was authorized by the *Energy Policy Act of 2005* with the goal of creating jobs, reducing dependency on foreign oil, improving the Department's environmental legacy, and enhancing American competitiveness in the global economy of the 21st century. As with most Departmental programs, LPO relies on both Federal and contractor employees to carry out its mission. With the support of the Department's human resources officials, LPO recruits and hires Federal employees. Federal regulations prohibit employees from granting any preference or advantage to applicants for Federal employment, unless specifically prescribed by law. Regarding contractor support, with limited exception, Federal employees are prohibited from becoming involved in contractor employee personnel matters.

The Office of Inspector General received a complaint alleging that a senior LPO official: (1) hired a "friend" for a Federal program position; and (2) directed a contractor to hire six individuals. We initiated this inspection to examine the facts and circumstances surrounding these allegations.

Our inspection identified actions taken by a senior LPO official that could have caused others to perceive a misuse of position. Specifically, we substantiated the allegation that the senior LPO official hired a "friend" for a Federal position. Regarding the second allegation related to directed contractor hiring, we found that the senior LPO official had, in fact, not only referred six individuals, but actually referred a total of 10 individuals with whom the official was affiliated, to a support service contractor for hiring consideration. However, we did not substantiate the allegation that the official actually directed the hiring of the referred individuals. Nonetheless, the actions by the senior LPO official could have created the appearance that the official was inappropriately involved in the contractor's hiring process.

(b)(6) Team Leader: [REDACTED]
(b)(6) Project Lead: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

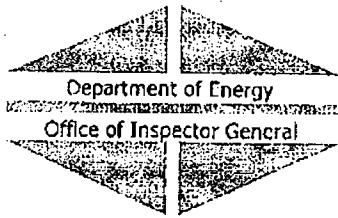
No activity reported.

ANNOUNCEMENTS:

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Weekly Activity Report
Office of Audits and Inspections
August 26 – August 30, 2013

FINAL REPORTS ISSUED:

- Audit Report on The Department of Energy's Administration of Energy Savings Performance Contract Biomass Projects (DOE/IG-0892, August 26, 2013)

In 2012, to help achieve renewable energy goals and realize energy cost savings, the Department of Energy began operating two new biomass facilities located at its Oak Ridge National Laboratory (Oak Ridge) and the Savannah River Site.

Our review of the Biomass Projects, financed by Energy Savings Performance Contracts (ESPCs), at Oak Ridge and the Savannah River Site disclosed that the Savannah River Site had generally developed and administered its Biomass Facility in an effective manner. However, we found planning and operational issues with the Oak Ridge Biomass Plant could cause the Department to incur over \$67 million more than necessary over the life of the project. Specifically, we noted that the Oak Ridge Site Office had not always planned and operated its Biomass Plant to minimize the Government's risk. For instance, it had not mitigated the risk of biomass fuel shortages and cost fluctuations, which could result in fuel costs exceeding original plans/projections by more than \$23 million over the life of the project.

These problems were due in part to inadequate guidance and oversight. The Department had not required major ESPC construction projects to adhere to critical elements of its existing capital project management and acquisition directive, and had not developed a process to identify, document and disseminate lessons learned from ESPC projects across the complex.

We made several recommendations designed to assist the Department with ongoing biomass projects and with planning, designing and operating future ESPCs and biomass facilities. Management generally concurred with our recommendations and identified actions taken and planned to address our recommendations.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

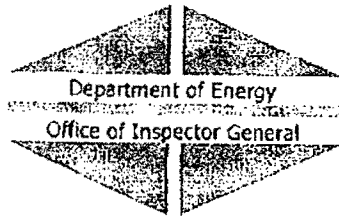
No activity reported.

ANNOUNCEMENTS:

- **UPCOMING TRAVEL DEADLINES:** Local Vouchers must be approved no later than September 20, 2013 in order to use FY 2013 funds – local travel vouchers submitted after September 20, 2013 will need to use FY 2014 funds and cannot be submitted until FY 2014 funds become available. To the extent possible, travel vouchers should be submitted no later than September 20, 2013 – vouchers submitted between September 20, 2013 and October 1, 2013 will be processed but payment may be delayed. Travel authorizations using FY 2013 funds must be approved no later than September 27, 2013 and the travel must be completed no later than Thursday, November 7, 2013.
 - 2013 Continuity of Operations (COOP) Awareness Annual Training must be completed by September 30, 2013.
-

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Weekly Activity Report
Office of Audits and Inspections
September 3 – 13, 2013

FINAL REPORTS ISSUED:

- Audit Report on The Department of Energy's Management of Contractor Responsibility Determinations (OAS-M-13-07, September 4, 2013)

From January 2010 to January 2012, the Department of Energy's (Department) Office of Headquarters Procurement Services (Headquarters Procurement) and the National Nuclear Security Administration's Office of Acquisition Management in the Albuquerque Complex (Albuquerque Procurement) awarded contracts totaling approximately \$6 billion to 1,315 contractors included in our review.

We determined that Headquarters Procurement and Albuquerque Procurement did have processes and procedures in place to restrict contracts awards to entities with tax delinquencies and those deemed non-responsible. However, we identified opportunities in which these processes and procedures could be improved. For example, we identified instances in which required offeror representations and certifications were either not completed or were not up-to-date at the time of contract award. Additionally, important procurement documentation used in determining a bidder's responsibility was not always included in the official contract files, as required by Department policies and procedures.

The problems we identified occurred, in part, because Headquarters Procurement and Albuquerque Procurement management did not ensure that procurement personnel consistently implemented controls designed to determine whether a contractor was responsible. In addition, management did not always ensure that the official contract files were properly maintained.

We provided a recommendation. Department and NNSA management concurred with our recommendation to address the weaknesses we observed in the contractor self-certification process. Management's corrective actions, taken and planned, are responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Sandia National Laboratories' Readiness in Technical Base and Facilities Program (OAS-L-13-13, September 5, 2013)

Through the National Nuclear Security Administration's (NNSA) Readiness in Technical Base and Facilities (RTBF) Program, Sandia National Laboratories (Sandia) maintains facilities and infrastructure equipped with advanced scientific and technical tools to support NNSA's operational and mission requirements.

A key aspect of Sandia's RTBF is the Operations of Facilities Subprogram (Subprogram), which provides support to 31 of Sandia's 41 mission critical facilities. Funding for the Subprogram, which totaled \$139.3 million of Sandia's \$165.5 million Fiscal Year 2013 RTBF budget, is intended to

sustain specific nuclear weapons' Mission Critical Capabilities (Capabilities) essential to performing national security missions in a readiness state to execute missions, such as the nuclear weapons Life Extension Programs (LEPs). The Subprogram budget also supports nuclear weapons programmatic infrastructure requirements such as general plant projects and capital equipment.

Nothing came to our attention to indicate that Sandia's RTBF Subprogram was not effectively supporting LEP mission needs. Specifically, our review disclosed that Sandia met or exceeded its RTBF program goals for FY 2012. In addition, we noted that Subprogram officials implemented performance monitoring controls. Subprogram and Capabilities management also prioritized capital investments and management plans to mitigate risks, such as the needed recapitalization of aging and unsupported tools. We did not propose any recommendations because we did not identify concerns with NNSA's and Sandia's management of the Subprogram.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on *Follow-up Audit of the Department of Energy's Financial Assistance for Integrated Biorefinery Projects* (DOE/IG-0893, September 9, 2013)

The Department of Energy's Bioenergy Technologies Office (Program) supports the development of biomass resources into commercially viable biofuels, bioproducts and biopower. The Program provides financial assistance for integrated biorefinery projects to assist in building and operating facilities at each scale of development: pilot, demonstration and commercial.

Despite over 7 years of effort and the expenditure of about \$603 million, the Department had not yet achieved its biorefinery development and production goals. Specifically, the EPAAct mandate to demonstrate the commercial application of integrated biorefineries had not been met and the Department was not on target to meet its biofuels production capacity goal.

We found that the Department had not successfully achieved commercial-scale operations even though the FOAs issued in 2006 and 2007 indicated that the proposed projects should be operational at the commercial scale within 3 to 4 years. Further, the 2009 FOA indicated proposed demonstration projects would be operational as soon as possible after award and proceed rapidly to commercial-scale operations. Additionally, we found that the Department was not on target for achieving its 2014 production capacity goal of 100 million gallons of advanced biofuels. Program management concurred with the recommendations and initiated corrective actions that are generally responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- Draft Special Inquiry Report on *Review of Allegations Regarding Prohibited Personnel Practices at the Bonneville Power Administration* (S13IS008, September 6, 2013)

The Office of Inspector General received a complaint alleging prohibited personnel practices at the Department of Energy's (Department) Bonneville Power Administration (Bonneville). The allegations included violations of Office of Personnel Management (OPM) regulations and the

inappropriate dismissal of veteran's during their probationary period. The complaint also alleged violations of Department policies regarding the application of veterans' preference and the use of the category rating process in the exercise of Bonneville's delegated examining authority for competitive hiring.

We found that Bonneville's hiring practices disadvantaged veterans and other applicants. Bonneville's actions were inconsistent with concerted efforts by the Federal government to ensure that veterans received appropriate preferential treatment in the hiring process. Specifically, we found that Bonneville consistently manipulated the applicant rating process. Also, Bonneville failed to fully disclose to the Department that the discriminatory practices had occurred or the adverse impact on veterans and other applicants. Further, Bonneville did not notify the affected applicants or initiate corrective actions required to remedy the inappropriate practices.

The management culture at Bonneville contributed to an environment in which the prohibited personnel practices could occur. Notably, we observed that Bonneville officials spent considerable effort trying to distance the organization from Departmental procedures, processes and oversight.

The Department has initiated corrective actions to ensure disadvantaged applicants, including veterans, receive appropriate consideration as required and also to facilitate the restoration of Bonneville's staff certifications and hiring authorities. While these actions are noteworthy, more needs to be done to ensure that the actions are sustained. Accordingly, we made a number of recommendations to address the issues identified in this report.

(b)(6) Division Director: [REDACTED]
(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

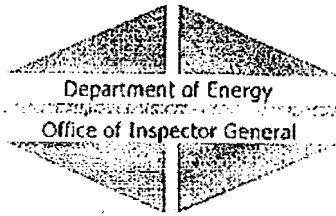
ANNOUNCEMENTS:

- (b)(6) On August 30, 2013, Tiffany Bonior of the Eastern Audits Division in Oak Ridge, Tennessee and her husband [REDACTED] welcomed the birth of their baby [REDACTED] Tiffany and the baby are now home and doing well. (b)(6)
- EIGPT will be taken down for end-of-year conversation on September 22, 2013. It will be back on-line on October 1, 2013. During this time EIGPT will not be available to users. Please plan accordingly for the downtime and the production of semiannual report data.
- 2013 Continuity of Operations (COOP) Awareness Annual Training must be completed by September 30, 2013.
- 2013 Privacy Awareness Training must be completed by October 11, 2013.
- UPCOMING TRAVEL DEADLINES: Local Vouchers must be approved no later than September 20, 2013 in order to use FY 2013 funds – local travel vouchers submitted after September 20, 2013

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Weekly Activity Report
Office of Audits and Inspections
September 16 – 30, 2013

FINAL REPORTS ISSUED:

- Audit Report on Department of Energy Quality Assurance: Design Control for the Waste Treatment and Immobilization Plant at the Hanford Site (DOE/IG-0894, September 30, 2013)

The Department is constructing the \$12.2 billion Waste Treatment and Immobilization Plant (WTP) to vitrify approximately 56 million gallons of radioactive and chemically hazardous waste stored at the Hanford Site. To ensure the vitrification process is safe for workers, the public and the environment, the Department required the contractor for the WTP, Bechtel National Inc. (Bechtel), to develop and follow a quality assurance program based on the American Society of Mechanical Engineer's *Quality Assurance Requirements for Nuclear Facility Applications* (NQA-1) Standard.

The Office of Inspector General received an allegation that Bechtel was missing design control documentation for the WTP and as such, could not demonstrate that equipment was appropriately manufactured.

We substantiated the allegation. Our review revealed significant shortcomings in the Department's process for managing the design and fabrication changes of waste processing equipment procured for the WTP. The Department had not ensured that Bechtel subjected design changes requested by suppliers to the required review and approval by Bechtel's Environmental & Nuclear Safety Group. Further, the Department had not ensured that Bechtel properly verified that deviations from design requirements that could affect nuclear safety were implemented. Management concurred with our recommendations and provided corrective actions taken and planned to address specific weaknesses identified in our report. We consider management's comments and planned corrective actions responsive to our findings and recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on The Resumption of Criticality Experiments Facility Operations at the Nevada National Security Site (OAS-M-13-09, September 30, 2013)

Citing safety and security concerns, in 2004 the National Nuclear Security Administration (NNSA) halted criticality experiments at Los Alamos National Laboratory (Los Alamos) and authorized a capital project to transfer this capability to the Device Assembly Facility at the Nevada National Security Site (Nevada). The project remodeled a portion of the Device Assembly Facility to form the National Criticality Experiments Research Center (NCERC).

We found that NNSA restored many of the former capabilities of the Criticality Experiments Facility at the NCERC in Nevada. We noted, however, that several problems with start-up activities resulted in delays in restoring the full array of experimental capabilities included in the project. Specifically, NNSA was unable to authorize the start-up of NCERC operations until May 2011. The program experienced further delays in the start-up activities of each criticality machine. Further, NCERC has been unable to restore its full capability to perform plutonium-based criticality experiments.

The delays in restoring capabilities occurred because NNSA had not ensured that contractors had developed adequate procedures for correcting concerns identified during the process to authorize the start-up of NCERC, the safety basis documentation matched facility conditions, and procured safety equipment met cited standards. Additionally, NNSA had not ensured effective management of the multiple contractors involved in developing and amending the safety basis documentation. Finally, NNSA has struggled to successfully integrate and resolve issues between the multiple contractors involved in NCERC facility operations. Management concurred with our recommendations and proposed corrective actions that are responsive to our recommendations.

(b)(6) Team Lead: [REDACTED]

(b)(6) AIC: [REDACTED]

(b)(6) Staff: [REDACTED]

- Inspection Report on Accountability and Control of Explosives at the Lawrence Livermore National Laboratory's High Explosives Applications Facility (INS-O-13-06, September 30, 2013)

The High Explosives Applications Facility (HEAF) is a state-of-the-art explosives research facility located on-site at the Lawrence Livermore National Laboratory (Livermore). The Office of Inspector General received a complaint alleging weaknesses with the controls over physical access to explosive material, as well as weaknesses with explosive inventory control and accountability in the HEAF explosive operations area.

We substantiated the allegations regarding weaknesses with controls over access and inventory of explosive materials at the HEAF. We found that Secret and Top Secret cleared individuals at Livermore had the potential to access the HEAF explosive operations area even though they lacked specific authorization and/or had not received required safety training. Additionally, we found that Livermore's Safety Access Training did not adequately address the requirements for unescorted access to the facility's explosive workrooms. Further, a unified perpetual system of records capable of tracking and accounting for explosives acquired, stored and expended at HEAF did not exist.

The identified issues regarding potential unauthorized access occurred, in part, because officials did not adequately consider the risks associated with access at the facility and the increased potential for theft or diversion of explosives. The weaknesses identified with the training occurred because the HEAF Safety Plan's requirement related to unescorted workroom access was not fully incorporated into the Safety Access Training module. In addition, the inventory controls for explosives within HEAF primarily focused on safety, and not tracking and accountability of high-risk personal property such as explosives from acquisition to disposition. Management generally agreed with our findings and recommendations and provided planned corrective actions that are generally responsive to our report findings and recommendations.

(b)(6) Team Leader: [REDACTED]

(b)(6) Lead Inspector: [REDACTED]

(b)(6) Staff: [REDACTED]

- Audit Report on The Department of Energy's Energy Innovation Hubs (OAS-M-13-08, September 30, 2013)

The Department's Energy Innovation Hubs (Hubs) initiative addresses research challenges with potentially high impact on our national energy security that have proved the most resistant to solution by conventional research and development management structures.

We found that the Hubs initiative was generally satisfying the specific Federal, Department and programmatic requirements that we evaluated during our review. Although our review did not identify material concerns regarding Hub operations, we identified several areas warranting

management attention by the Department. Specifically, the Department had not effectively managed conference and meeting costs and had not always ensured conflict of interest certifications were obtained and/or retained for all external merit reviewers and Federal employees participating in the Hub selection process.

Excessive conference and meeting costs occurred because the Department had not provided sufficient oversight over these costs. The missing conflict of interest certifications were due to poor recordkeeping practices. Management concurred with our recommendations and indicated that it had completed or initiated corrective actions designed to address our concerns. Management's reported corrective actions were responsive to our recommendations.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- Audit Report on The Department of Energy's Hydrogen and Fuel Cells Program (OAS-RA-13-31, September 27, 2013)

The Department of Energy spent approximately \$1 billion over the last 5 years on Hydrogen and Fuel Cells Program activities implemented through various projects at Federal laboratories, universities, non-profit institutions, Government agencies and industry participants. The Department also provided an additional \$42 million in American Recovery and Reinvestment Act of 2009 funding to accelerate the commercialization and deployment of fuel cells.

We found the Department had not always effectively managed the financial aspects of the Hydrogen and Fuel Cells Program. For instance, we found that the Department approved and reimbursed unsupported and/or unallowable costs at 9 of the 10 recipients included in our review. Further, the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and complied with applicable policies, procedures and best practices.

The issues we identified occurred, in part, because program officials had not always provided effective monitoring and oversight and/or adequate guidance to ensure that required financial and accounting policies and procedures had been properly adhered to on a consistent basis. The lack of attention to financial monitoring of recipients increased the risk that questionable and/or unallowable costs would be charged to the Department and reduce the amount of funds available to complete projects. Accordingly, we questioned more than \$6.7 million in reimbursements to Hydrogen and Fuel Cells Program recipients included in our review. Management concurred with our recommendations and indicated that it had initiated and/or taken corrective actions to that are responsive to our recommendations.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- Audit Report on The Radioactive Liquid Waste Treatment Facility Replacement Project at Los Alamos National Laboratory (OAS-L-13-15, September 26, 2013)

Los Alamos National Laboratory's (Los Alamos) primary responsibility is to ensure the safety, security and reliability of the nation's nuclear stockpile. To meet its mission, Los Alamos stores, treats and disposes of low-level waste and transuranic liquid waste (TRU) at the Radioactive Liquid Waste Treatment Facility (RLWTF). The National Nuclear Security Administration (NNSA) and Los Alamos have been planning a replacement project for the RLWTF since 2004, have made multiple changes in the design of the facility with plans to construct two facilities in 2005, one facility in 2006, and then returning to the two facilities approach in 2011. The current two facility design

has a total estimated project cost as much as \$214 million and respective completion dates of 2017 and 2020.

While NNSA has recently taken action to address RLWTF replacement project issues, we observed that the NNSA and Los Alamos had not effectively managed the project over most of its lifecycle. Despite more than 7 years of effort, and the expenditure of \$56 million, design work for the TRU facility has not been completed and the project's completion date is 11 years behind schedule. Furthermore, the total estimated cost for the replacement project has increased from \$86 million to as much as \$214 million, a 149 percent increase. Additionally, independent peer and internal control reviews have noted that NNSA and Los Alamos had not developed reliable life cycle cost estimates, used a Risk Management Plan, and applied Value Engineering principles to optimize the design of the facility. NNSA and Los Alamos have made improvements in the project management of the RLWTF; however, we made suggestions for further improvement.

(b)(6) Team Leader: [REDACTED]
(b)(6) AICs: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Fiscal Year 2011 Work Performed Under the Work for Others Program at Sandia National Laboratories (OAS-L-13-14, September 25, 2013)

The Department and its semi-autonomous National Nuclear Security Administration (NNSA) provide research and technical assistance to other Federal agencies on a reimbursable, full cost recovery basis through the Work For Others (WFO) Program. WFO agreements are also used as a mechanism through which industry can utilize expertise and facilities at Sandia National Laboratories (Sandia), a Federally Funded Research and Development Center.

The Office of Inspector General contracted with KPMG, LLP (KPMG), to assess the internal control structure at Sandia and determine whether it is effective in achieving the current goals and objectives of the WFO Program. KPMG identified several opportunities to strengthen controls cover WFO costs. For instance, KPMG found that costs relating to Sandia's WFO support organizations were included in the general and administrative cost pool that was allocated to both WFO projects and other Department projects on an organization-wide basis, rather than using an allocation base that bears a more direct causal beneficial relationship to the support organizations' costs. KPMG estimated that the Department would have an annual savings of approximately \$2.3 million by implementing a separate indirect rate for these support organizations. KPMG recommended that Sandia consider removing the WFO support organization costs from the general and administrative indirect cost pool, and establish a separate indirect cost pool for allocating these costs to WFO projects. NNSA generally concurred with the findings and recommendations and proposed corrective actions that are responsive to our recommendations.

(b)(6) Technical Monitors: [REDACTED]

- Examination Report on Alamo Area Council of Governments – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-13-30, September 19, 2013)

As part of the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Weatherization Assistance Program (Weatherization Program) received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Texas received \$327 million in Weatherization Program Recovery Act grant funding, of which \$15.5 million was allocated to the Alamo Area Council of Governments (Alamo) to weatherize approximately 3,000 homes. The State of Texas' Department of Housing and Community Affairs was responsible for administering Weatherization Program grants, including funds provided to

Alamo. The Office of Inspector General contracted with Lani Eko & Company, CPAs, PLLC (Lani Eko), to express an opinion on Alamo's compliance with applicable Federal and state laws, regulations and program guidelines.

The examination found that Alamo had falsified Weatherization Program records and improperly weatherized multi-family dwellings. Further, Alamo had incurred unallowable costs of \$146,850 for forensic audits and reviews to determine the extent of the program's mismanagement. Specifically Lani Eko noted instances in which a four-unit building and an eight-unit building were weatherized, even though eligibility requirements had not been met for those buildings. Lani Eko questioned the allowability of the \$21,904 in costs incurred for the weatherization of those buildings.

The Department concurred with the recommendation and has been working with the State and Alamo to ensure that all corrective actions are implemented. Its comments were responsive to the recommendation to work with the State to improve administration of Recovery Act Weatherization Program funds at Alamo and resolve the questioned costs.

(b)(6)

Team Leaders:

(b)(6)

Staff:

- Inspection Report on Unclassified Foreign National Visits and Assignments at Oak Ridge National Laboratory (INS-O-13-05, September 16, 2013)

During calendar year 2012, the Oak Ridge National Laboratory (Oak Ridge), which is managed by UT-Battelle, LLC, hosted approximately 6,400 foreign national visitors and assignees (foreign nationals). Such visits and assignments can be beneficial to the Department but may also create certain security risks.

Our inspection revealed that improvements are needed in the implementation of the Department's Foreign National Visits and Assignments Program at Oak Ridge. We determined that contrary to Host Agreements and individual security plans, hosts did not always maintain accountability of foreign nationals as required. In addition, we found that Oak Ridge Office of Counterintelligence (Counterintelligence) officials did not ensure that required Counterintelligence consultations had been documented and completed in the Department's Foreign Access Central Tracking System (FACTS) for foreign nationals prior to their visits.

Although we did not identify any instances in which export information or other scientific information was inappropriately obtained by a foreign national, the risk that these events could occur is higher than acceptable because of the weaknesses in Oak Ridge's program. We also found that the Oak Ridge Host Audit Program, which provided management oversight of the Foreign National Visits and Assignments program, had also not been effectively implemented.

Collectively, these issues have the potential to increase Oak Ridge's security risk that sensitive information and national security assets could potentially be lost or compromised. The Oak Ridge Site Office concurred with the report recommendations and identified actions it had planned or had already taken to address our recommendations. We consider management's comments responsive to our recommendations.

(b)(6)

Team Leader:

(b)(6)

Project Lead:

Staff:

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

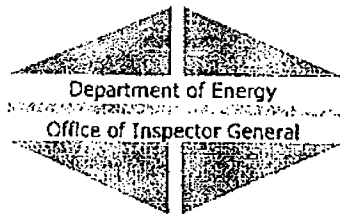
- On September 26, 2013 the Office of Inspector General held exit conferences with personnel from the National Nuclear Security Administration (NNSA), the Office of Management (MA), and the Sustainability Performance Office to discuss the audit report on "The Department's Fleet Vehicle Sustainability Initiatives at Selected Locations" (A12GT051).

ANNOUNCEMENTS:

- 2013 Privacy Awareness Training must be completed by October 11, 2013.
- It's that time again! It's time to reach down in our hearts, pull out our generosity and "give." The Combined Federal Campaign (CFC) kicked off September 1, 2013. The Campaign theme this year is "I MAKE IT POSSIBLE." Your headquarters keyworkers are: Rachelle Kennedy, Nicole Williams, Nancy Pierre White, and Cindy Miller. You can also reach out to Lois Jessup for additional information and assistance. The National Capital Area CFC website is: www.cfcnca.org

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Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections
October 1 – 11, 2013

FINAL REPORTS ISSUED:

- Special Inquiry: Review of Allegations Regarding Prohibited Personnel Practices at the Bonneville Power Administration (DOE/IG-0895, October 3, 2013)

The Office of Inspector General received a complaint alleging prohibited personnel practices at Bonneville. The allegations included violations of OPM regulations and the inappropriate dismissal of veterans during their probationary period. The complaint also alleged violations of Department policies regarding the application of veterans' preference and the use of the category rating process in the exercise of Bonneville's delegated examining authority for competitive hiring.

We found that Bonneville's hiring practices disadvantaged veterans and other applicants. Bonneville consistently manipulated the applicant rating process, and did not fully disclose to the Department that the inappropriate personnel practices had occurred or the adverse impact on veterans and other applicants despite specific requirements to do so. Further, Bonneville neither notified the affected applicants nor did it initiate corrective actions required to remedy the inappropriate practices.

The management culture at Bonneville contributed to an environment that enabled the prohibited practices to occur. Notably, we observed that Bonneville officials spent considerable effort trying to distance the organization from Departmental procedures, processes and oversight. Compounding problems associated with the general environment and culture, our inquiry revealed that Bonneville exercised inadequate oversight and accountability of its own personnel recruitment functions. In short, there was a massive breakdown in procedures, processes and management attentiveness at several levels of Bonneville's operation.

The impact of Bonneville's improper hiring practices is widespread, has subjected affected individuals to economic consequences, has disrupted Department and Bonneville operations, and has exposed the Department to a variety of legal challenges. Most importantly, adversely impacted veterans have not received promised benefits. The Department expressed concurrence with our report, and its corrective actions, taken and planned, were fully responsive to our findings and recommendations.

(b)(6) Division Director: [REDACTED]
(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Audit Report on Assessment of Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC under Department of Energy Contract No. DEA-AC07-05ID14517 during Fiscal Year 2012 (OAS-V-14-01, October 8, 2013)

Since 2005, Battelle Energy Alliance, LLC (Battelle) has managed and operated the Idaho National Laboratory (INL) under contract with the Department of Energy (Department). The INL is managed under a 10-year contract valued at \$8.5 billion, of which Battelle expended and claimed \$849,413,088 for Fiscal Year (FY) 2012. Battelle is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by Battelle's Internal Audit could not be relied upon. We did not identify any material Internal control weaknesses with Internal Audit's cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing. Internal Audit identified \$131,770 in expressly unallowable and questioned costs, which have all been resolved. We identified no other audits or reviews that reported internal control weaknesses impacting the allowability of costs claimed for FY 2012.

We also found that Battelle provided audit coverage of its cost reimbursable subcontracts. In particular, Internal Audit selected subcontractors for review based on a risk-based approach applied to the entire cost reimbursable subcontract population. Internal Audit identified \$275 in questioned subcontractor costs, which have been resolved.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]

DRAFT REPORTS ISSUED:

- **Evaluation Report on *The Department's Unclassified Cyber Security Program – 2013* (A13TG019, October 1, 2013)**

In the current information technology environment, cyber security threats are a major concern for all Federal entities. Several recent cyber attacks against the Department of Energy's networks and systems have underscored the importance and urgency of a strong cyber security program. As part of our responsibilities under the *Federal Information Security Management Act of 2002* (FISMA), the Office of Inspector General conducts an annual independent evaluation to determine whether the Department's unclassified cyber security program adequately protected its unclassified data and information systems.

The Department had taken a number of positive steps over the past year to correct cyber security weaknesses related to its unclassified information systems. We noted that the Department had taken corrective actions to resolve 28 of the 38 conditions we identified during our FY 2012 evaluation. In addition, it had established a senior leadership council to increase high-level visibility of cyber-related issues impacting the Department.

In spite of these efforts, we found that significant weaknesses and associated vulnerabilities continue to expose the Department's unclassified information systems to a higher than necessary risk of compromise. While we observed that weaknesses identified as a result of our vulnerability scanning decreased somewhat during our FY 2013 evaluation, those related to general information technology controls increased. Our testing revealed various weaknesses related to security reporting, access controls, patch management, system integrity, configuration management, segregation of duties and security management. In total, we discovered 29 new weaknesses and confirmed that 10 weaknesses from the prior year's review had not been resolved. These problems were spread across 11 of the 26 locations at which we performed testing. Notably, despite requirements established in FISMA implementing guidance promulgated by the Office of Management and Budget, we determined that the Department had not included contractor owned or operated systems when reporting performance metrics related to the health of its cyber security program to the Department of Homeland Security.

The weaknesses we identified occurred, in part, because Department elements had not ensured that policies and procedures were fully developed and implemented to meet all necessary cyber security requirements. Absent improvements to its unclassified cyber security program, the Department's information and systems will continue to be at a higher than necessary risk of compromise. As such, we made several recommendations that, if fully implemented, should help the Department strengthen its cyber security program.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

• **Special Report on Recent Events Related to Ecotality, Inc. (A13HQ054, October 3, 2013)**

In our audit of the funding to Ecotality, *The Department of Energy Vehicle Technologies Program's \$135 Million in Funding to Ecotality, Inc.* (OAS-RA-13-29, July 2013), we found that the Department's management and administration of Ecotality's awards could have been improved. On August 7, 2013, shortly after the release of our audit report, Ecotality informed the Department that it was in financial distress and may not be able to meet obligations under its Recovery Act award. The Department responded on August 8, 2013, by suspending payment under that award and directing Ecotality not to incur additional costs. Ecotality then filed a notice of "other events" with the U.S. Securities and Exchange Commission (SEC) on August 12, 2013, disclosing that the company had experienced certain material adverse financial-related developments that significantly impacted its ability to meet its ongoing obligations. On September 16, 2013, Ecotality filed a petition for Chapter 11 Bankruptcy.

Prior to Ecotality's Chapter 11 filing, we initiated this review to determine whether the Department was aware of, and had disclosed to the Office of Inspector General, pertinent events that occurred prior to the completion of our previous audit related to Ecotality's ability to meet its obligations. We also sought to determine whether the Department was effectively managing Ecotality's awards in light of recent events.

We found that the Department had not fully disclosed known concerns regarding Ecotality's ability to meet its EV project obligations to the Office of Inspector General prior to completion of our previous audit. Information that raised questions about Ecotality's ability to meet its project goals, including completing planned EV charger installations and the collection of EV usage data, was not provided even though the data had a readily apparent connection to our in-process audit. The Department became aware of the EV project concerns at about the same time that Department officials were preparing a response to a draft of our July 2013 audit report.

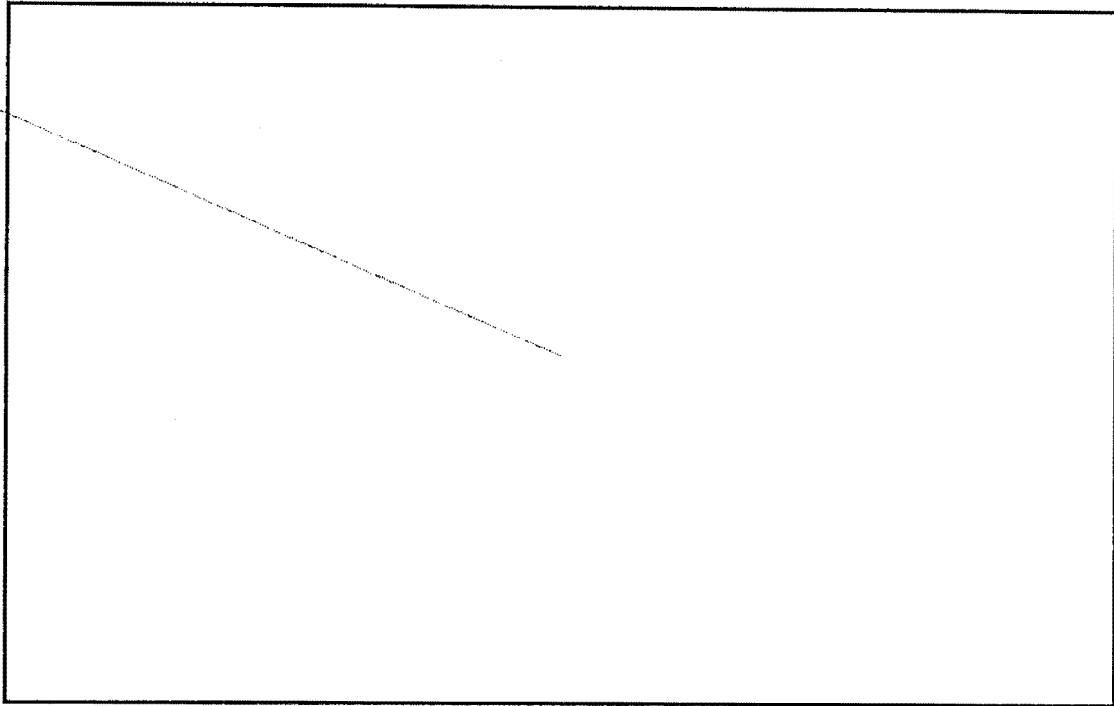
Program management officials asserted that the failure to disclose the information regarding Ecotality's difficulties was not malicious. Nothing came to our attention to the contrary; however, we are deeply concerned because the information directly related to the objective of our audit, to determine whether the Department had effectively awarded and managed funding to Ecotality. The disclosure of issues that could have impacted project completion would have led us to perform additional audit procedures to evaluate Ecotality's ability to fulfill its obligations under the Recovery Act award. These issues also could have impacted our overall conclusions regarding Ecotality's performance under the award.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

• **Report on Assessment of Audit Coverage of Cost Allowability for Babcock & Wilcox Technical Services Pantex, LLC for the period October 1, 2009 thru September 30, 2012 under Department of Energy Contract No. DE-AC54-00AL66620 (A13LV021, October 9, 2013)**

(b)(5) [redacted]

(b)(5)



(b)(6)

Team Leader: [redacted]

(b)(6)

AIC: [redacted]

- **Audit Report on *The Department of Energy's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant Program – District of Columbia* (A12RA009, October 10, 2013)**

The Department of Energy's Energy Efficiency and Conservation Block Grant (EECBG) Program received about \$3.2 billion under the American Recovery and Reinvestment Act of 2009 to help state and local entities develop, implement and manage energy efficiency and conservation projects. Of the funding provided, more than \$2.7 billion was distributed to over 2,000 entities using a population-driven formula. The Department allocated about \$9.6 million in December 2009 to the District of Columbia government through the District Department of the Environment (DDOE). DDOE selected four District of Columbia government agencies and six non-profit community based organizations (CBOs) to assist in completing retrofits.

We identified multiple weaknesses that led us to question the sufficiency of DDOE's controls over EECBG funding to CBOs. For example, our audit revealed that DDOE had awarded \$630,000 to two CBOs that lacked adequate experience in the area of energy efficiency retrofits, and had advanced over \$160,000 to three CBOs without assigning corresponding work. In contrast, nothing came to our attention to indicate that the work performed by the District of Columbia government entities was not appropriately completed.

We found that the issues identified occurred, primarily, because of an ineffective control environment within DDOE. These issues were not transparent to the Department because DDOE is a government entity, and consistent with existing practices, was not required to provide detailed documentation supporting its EECBG expenditures. Therefore, Department officials may not have had the information necessary to identify these issues and take appropriate action. We have also made several recommendations to address the concerns in our report.

(b)(6)

Team Leader: [redacted]

(b)(6)

AIC: [REDACTED]

(b)(6)

Staff: [REDACTED]

- Evaluation Report on *The Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2013* (A13TG038, October 10, 2013)

The Federal Energy Regulatory Commission (Commission) is an independent agency within the Department of Energy (Department) responsible for, among other things, regulating the interstate transmission of the nation's electricity, natural gas and oil. To help protect against continuing cyber security threats, the Commission estimated that it would spend approximately \$5.8 million during Fiscal Year (FY) 2013 to secure its information technology assets, a 9 percent increase compared to FY 2012. The *Federal Information Security Management Act of 2002* (FISMA) established requirements for Federal agencies related to the management and oversight of information security risks and to ensure that information technology resources were adequately protected.

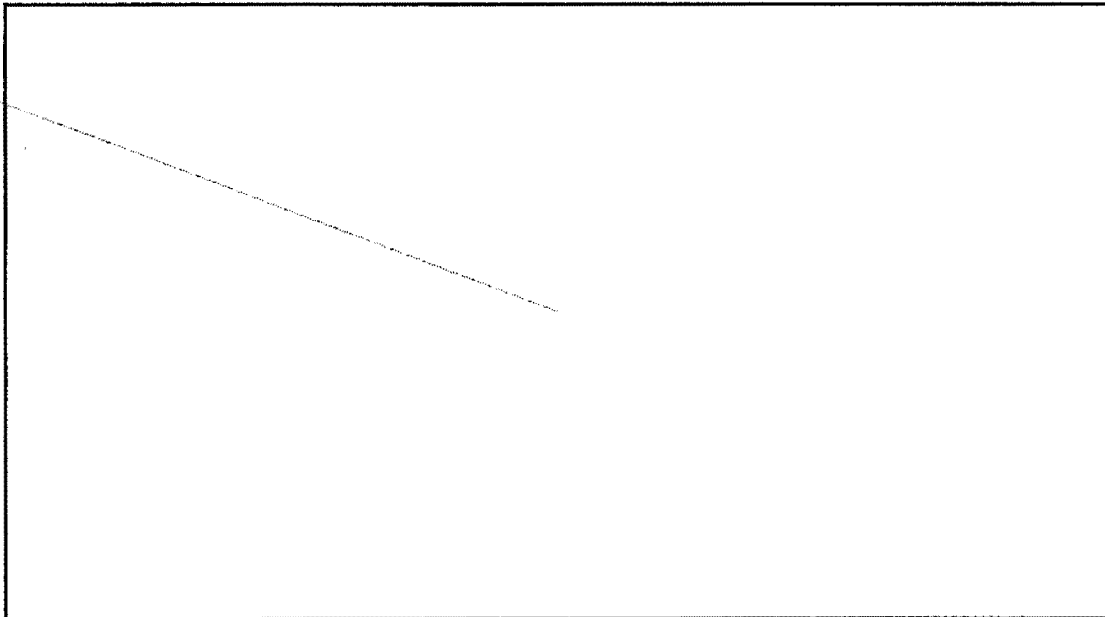
The Commission had taken action to improve its cyber security posture and mitigate risks associated with the weaknesses identified during our FY 2012 evaluation. Our current evaluation, however, disclosed that additional opportunities existed to better protect information systems and data. In particular, we continued to identify weaknesses related to the Commission's timely remediation of software vulnerabilities.

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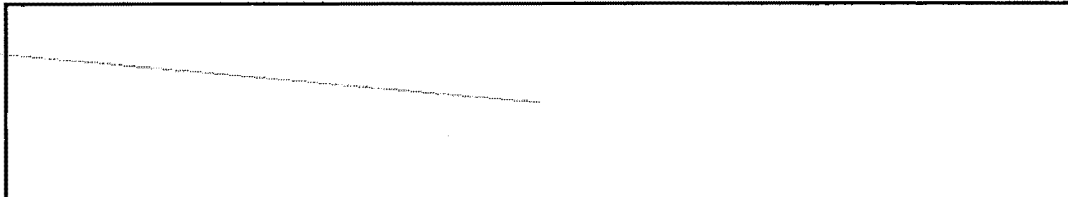
Team Leader: [REDACTED]

- Audit Report on *Assessment of Audit Coverage of Cost Allowability for National Renewable Energy Laboratory during Fiscal Years 2009 through 2011 under Department of Energy Contract No. DE-AC36-08GO28308* (A13DN010, October 10, 2013)

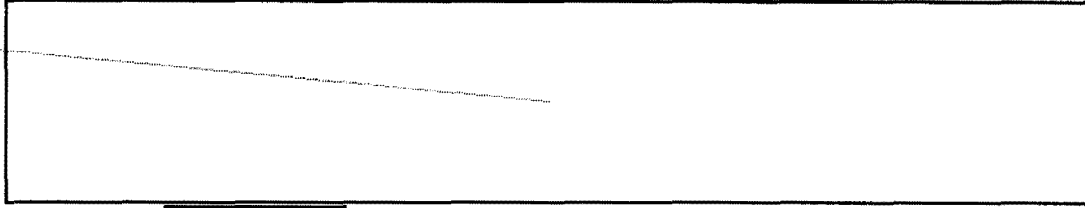
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(b)(6)

Team Leader:



(b)(6)

AIC:



(b)(6)

Staff:



OTHER AUDIT/INSPECTION ACTIVITIES:

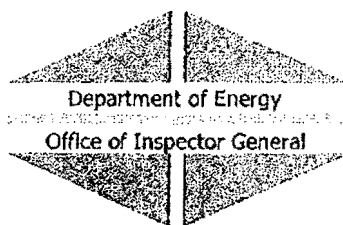
- An entrance conference was held on Wednesday, October 2, 2013 regarding the Office of Energy Efficiency and Renewable Energy's (EERE) Procurement Activity. The objective of the audit is to determine whether EERE has effectively and efficiently managed its procurement activities. In attendance were representatives from the Office of Inspector General, Headquarters Procurement Services, EERE Headquarters and Golden Service Center.

ANNOUNCEMENTS:

- Despite several attempts to correct system issues, the CFCNCA webpage portal will not work correctly for payroll deductions. Alternative procedures for making payroll contributions were emailed to all OIG staff this week. If you have any questions, please contact your Keyworker.

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Weekly Activity Report Office of Audits and Inspections

October 15 – October 25, 2013

FINAL REPORTS ISSUED:

- Evaluation Report on *The Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2013* (OAS-M-14-01, October 23, 2013)

The Federal Energy Regulatory Commission (Commission) is an independent agency within the Department of Energy (Department) responsible for, among other things, regulating the interstate transmission of the Nation's electricity, natural gas and oil. To help protect against continuing cyber security threats, the Commission estimated that it would spend approximately \$5.8 million during Fiscal Year (FY) 2013 to secure its information technology assets, a 9 percent increase compared to FY 2012.

The *Federal Information Security Management Act of 2002* (FISMA) established requirements for Federal agencies related to the management and oversight of information security risks and to ensure that information technology resources were adequately protected. As directed by FISMA, the Office of Inspector General conducted an independent evaluation of the Commission's unclassified cyber security program to determine whether it adequately protected data and information systems. This report presents the results of our evaluation for FY 2013.

The Commission had taken action to improve its cyber security posture and mitigate risks associated with the weaknesses identified during our FY 2012 evaluation. Our current evaluation, however, disclosed that additional opportunities existed to better protect information systems and data. In particular, we continued to identify weaknesses related to the Commission's timely remediation of software vulnerabilities. Due to security considerations, information on specific vulnerabilities has been omitted from this report; however, management was provided with detailed information regarding identified vulnerabilities. The Commission concurred with the report's recommended action and stated that it had initiated corrective action to address weaknesses identified in the report.

(b)(6)

Team Leader:

- Audit Report on *The Department's Fleet Vehicle Sustainability Initiatives at Selected Locations* (DOE/IG-0896, October 24, 2013)

In Fiscal Year 2012, the Department of Energy's fleet consisted of 14,457 vehicles operated at an annual cost of approximately \$131 million. Nearly 72 percent of the vehicles were leased through the General Services Administration, with the remaining Department-owned and commercially leased.

While Los Alamos National Laboratory and the Bonneville Power Administration had taken steps designed to improve economy and reduce emissions, they had not always managed their substantial vehicle fleets in a cost-effective or efficient manner, nor did they take all prudent steps to advance the use of alternative fuels. Specifically, these organizations leased flex-fuel vehicles

that were routinely fueled with gasoline instead of alternative fuels and did not optimize the size of their fleets.

The issues we identified occurred primarily because Departmental policies and procedures had not incorporated changes necessary to achieve optimal fleet inventory with regard to the type and number of vehicles. Further, the policies did not reflect the need for procedures to locate alternative fuel vehicles near alternative fueling stations. We also noted that fleet vehicles were effectively managed and appropriately updated to achieve sustainability at the Savannah River Site. The Office of Management and the National Nuclear Security Administration generally agreed with our findings and recommendations and submitted planned corrective actions that are fully responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

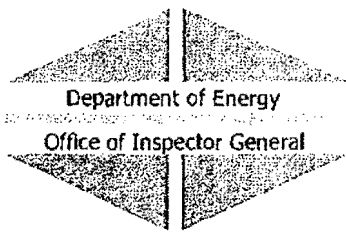
ANNOUNCEMENTS:

(b)(6) • Judy Jew's mother [REDACTED] on [REDACTED] Services were held at (b)(6)
(b)(6) [REDACTED] on October 26, 2013. If
you would like to send a card, please contact Margaret Wright for Judy's address.

- An Entrance Conference was conducted on October 22, 2013, for our audit on the Department's Implementation of the Pilot Program for Agreements for Commercialization of Technology (ACT). The conference took place at the PNNL. The objective of the audit is to determine if the Department is effectively managing the implementation of ACT. Initial fieldwork will be conducted at the Pacific Northwest National Laboratory (PNNL) and Lawrence Livermore National Laboratory (LLNL). Representatives from the Office of Science, National Nuclear Security Administration, PNNL, and LLNL were in attendance.
 - TRAINING: The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.
-

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Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections October 28 – November 1, 2013

FINAL REPORTS ISSUED:

- Evaluation Report on The Department of Energy's Unclassified Cyber Security Program – 2013 (DOE/IG-0897, October 29, 2013)

Cyber security threats are a major concern for all Federal entities, including the Department of Energy. The *Federal Information Security Management Act of 2002* (FISMA) established the requirement for Federal agencies to develop, implement and manage agency-wide information security programs, and provide acceptable levels of security for the information and systems that support the operations and assets of the agency. As part of our responsibilities under FISMA, the Office of Inspector General conducts an annual independent evaluation to determine whether the Department's unclassified cyber security program adequately protected its unclassified data and information systems.

The Department had taken a number of positive steps over the past year to correct cyber security weaknesses related to its unclassified information systems, including corrective actions to resolve 28 of the 38 conditions we identified during our FY 2012 evaluation. In spite of these efforts, we found that significant weaknesses and associated vulnerabilities continued to expose the Department's unclassified information systems to a higher than necessary risk of compromise. Our testing revealed various weaknesses related to security reporting, access controls, patch management, system integrity, configuration management, segregation of duties and security management. In total, we discovered 29 new weaknesses and confirmed that 10 weaknesses from the prior year's review had not been resolved. These problems were spread across 11 of the 26 Department locations where we performed testing.

The weaknesses identified occurred, in part, because Department elements had not ensured that cyber security requirements were fully developed and implemented. Management concurred with our findings and recommendations and has taken and/or initiated corrective actions.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Special Report on Recent Events Related to Ecotality, Inc. (OAS-RA-14-01, October 31, 2013)

In our audit of the funding to Ecotality, *The Department of Energy Vehicle Technologies Program's \$135 Million in Funding to Ecotality, Inc.* (OAS-RA-13-29, July 2013), we found that the Department's management and administration of Ecotality's awards could have been improved. We initiated this review to determine whether the Department was aware of, and had disclosed to the Office of Inspector General, pertinent events that occurred prior to the completion of our previous audit related to Ecotality's ability to meet its obligations. We also sought to determine whether the Department was effectively managing Ecotality's awards in light of recent events.

We found that the Department had not fully disclosed known concerns regarding Ecotality's ability to meet its electric vehicle project obligations to the Office of Inspector General prior to

completion of our previous audit. Information that raised questions about Ecotality's ability to meet its project goals, including completing planned EV charger installations and the collection of electric vehicle usage data, was not provided even though the data had a readily apparent connection to our in-process audit.

Program officials asserted that the failure to disclose the information regarding Ecotality's difficulties was unintended. Nothing came to our attention to the contrary; however, we are deeply concerned because the information directly related to the objective of our audit. While the Department moved swiftly to suspend funding of Ecotality's Recovery Act award, it had not taken similar action for the remaining ongoing Ecotality project. Notably, the Department had not suspended payments under Ecotality's 2011, \$26 million award to test electric vehicles. Management concurred with our recommendations and indicated that it had completed or initiated certain corrective actions.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]

DRAFT REPORTS ISSUED:

- ***Special Report on Management of the \$245 million Nuclear Materials Safeguards and Security Upgrades Project Phase II at Los Alamos National Laboratory (A13LA002, October 30, 2013)***

To address aging security infrastructure, the National Nuclear Security Administration (NNSA) is now in the final phase of a project to upgrade security at Los Alamos National Laboratory's (LANL) Technical Area-55, a facility that houses high security plutonium assets and operations. These upgrades, known collectively as the Nuclear Materials Safeguards and Security Upgrades Project - Phase II (NMSSUP) began in 2009. While LANL retained the option to perform some work, it divided the bulk of the project into five firm-fixed price subcontracts that were awarded to one design company and three construction contractors. Due to favorable contract bids in April 2011, NNSA reduced the estimated total project cost from \$245 million to \$213 million. The project, which consisted of more than 2,200 scheduled activities, was expected to be completed in January 2013.

Our review revealed that the NMSSUP suffered from a number of project management weaknesses. These issues ultimately resulted in cost increases of as much as \$41 million and delayed completion of the project by nearly a year. Specifically, neither NNSA nor LANL had ensured that the work scope was fully and accurately planned, inferior work by construction contractors was promptly corrected, and management systems provided a clear and consistent view of the project's schedule and cost performance. In addition, management information systems failed to provide accurate and complete information about the funds available to complete the remaining work scope.

These project management issues created a series of problems that cascaded into unanticipated cost and schedule impacts. LANL estimated that project management, suspension, compensatory security measures, and additional contingency costs would exceed the project's approved budget. As a result, the project will be delayed approximately 1 year and will require an additional \$41 million more than anticipated to complete.

Although it failed to take effective action to address project management weaknesses in NMSSUP, the Department implemented detective controls that identified many of the issues in this report and are key tools for holding Department contractors accountable for their performance.

Additionally, NNSA had taken a number of positive actions to hold IANS accountable for lack of performance. Despite these actions, project management concerns remain following the suspension period. As such, we made recommendations to further improve project management.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

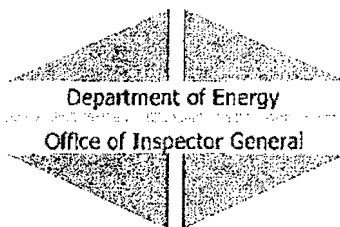
No activity reported.

ANNOUNCEMENTS:

- **TRAINING:** The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.

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Team Leaders



Weekly Activity Report

Office of Audits and Inspections

November 4 – 15, 2013

FINAL REPORTS ISSUED:

- **Report on Assessment of Audit Coverage of Cost Allowability for Babcock & Wilcox Technical Services Pantex, LLC for the period October 1, 2009 through September 30, 2012 under Department of Energy Contract No. DE-AC54-00AL66620 (OAS-V-14-01, November 4, 2013)**

Babcock & Wilcox Technical Services Pantex, LLC (B&W Pantex) has managed and operated Pantex Plant (Plantex) in Amarillo, Texas under contract DE-AC54-00AL66620 with the Department of Energy (Department) since February 1, 2001. The Department recently extended its contract with B&W Pantex through January 31, 2014. During the 3-year period from October 1, 2009, through September 30, 2012, B&W Pantex incurred and claimed costs totaling approximately \$1.7 billion. B&W Pantex is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed (SCIC), to safeguard assets in its care, and to claim only allowable costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by B&W Pantex's Internal Audit for FYs 2010 through 2012 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing. During the 3-year period, Internal Audit questioned costs totaling \$340,955, of which \$246,033 had been resolved. Thus, we are reporting the remaining \$94,922 as questioned costs.

During our review of the annual cost allowability audits, we observed that Internal Audit performed post award audits of subcontracts on a sample basis using appropriate risk-based methodology. In addition, Internal Audit issued a Subcontracts Audit Report in April 2010 that questioned costs totaling \$19,195, which have been resolved. Furthermore, Internal Audit initiated a subcontract audit in June 2013 for the period of FY 2011 through May 2013. At the time of our review, the subcontract audit had not yet been completed.

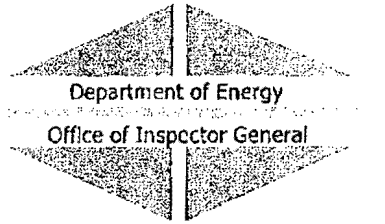
NNSA management concurred with our recommendation and provided an action plan that is responsive to our recommendation.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- **Draft Special Report on The Department of Energy's July 2013 Cyber Security Breach (A13TG056, November 6, 2013)**

To facilitate its administrative and operational needs, the Department of Energy maintains a substantial amount of personally identifiable information (PII). The Department's Management Information System (MIS) provides a gateway for users to access a system known as the DOE Employee Data Repository (DOEInfo) database. Over the past several years, MIS has been involved in no less than three cyber security breaches. According to Department officials, neither of the first two incidents, one in May 2011, and the second in January 2012, appeared to result in



Weekly Activity Report

Office of Audits and Inspections

November 18 – 22, 2013

FINAL REPORTS ISSUED:

- **Audit Report on Management of Tritium within the National Nuclear Security Administration (OAS-L-14-01, November 18, 2013)**

The National Nuclear Security Administration (NNSA) is responsible for producing tritium, a key component necessary for maintaining the Nation's nuclear weapons stockpile. NNSA's nuclear weapons Readiness Campaign coordinates with the Department of Defense to determine stockpile requirements and provide annual updates on tritium production and inventory status. The Tritium Readiness subprogram provides the capability for producing tritium needed for the Nation's nuclear weapons mission.

Based on our review, we determined that NNSA is effectively managing tritium supplies to meet nuclear weapons needs. NNSA currently maintains tritium supply levels slightly above demand levels and projects that future supplies will be maintained at similar levels. At the time of our review, NNSA had developed plans to increase the number of tritium-producing burnable absorber rods (TPBARs) irradiated per reactor cycle as the demand for tritium increases. NNSA plans called for a steady increase in the number of TPBARs irradiated per reactor cycle to a maximum of 2,000 TPBARs in 1 reactor. Should future demands require more than 2,500 TPBARs per reactor cycle, Tennessee Valley Authority will have to use more than 1 reactor to irradiate the TPBARs.

While NNSA is effectively managing tritium supplies to meet nuclear weapons needs in the near term, we found that several key actions should be completed to ensure that future tritium supplies are not disrupted. We provided suggested actions to ensure the long-term supply of tritium for the Nation's nuclear weapons mission.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Audit Report on Contract Awards to Small Businesses Under the Mentor-Protégé Program (DOE/IG-0898, November 20, 2013)**

The goal of the Department of Energy's Mentor-Protégé Program is to provide an opportunity for eligible small businesses to receive developmental assistance in business and technical areas. The Department utilizes the Program to increase the participation of small businesses as prime contractors, as well as subcontractors to prime contractors. During calendar years 2010, 2011 and 2012, the Department had over 100 mentor-protégé agreements in place.

Our audit disclosed that the Department had not always effectively managed the Program. Specifically, we identified 13 protégés that, prior to entering the program, appeared to possess the capabilities typically developed by small businesses through participation in the Program. Additionally, we identified six mentor protégé agreements with durations that appeared

excessive. Further, we identified four protégés that successfully graduated from the Program at one Department site and subsequently entered into mentor-protégé agreements at other sites.

These issues occurred because the Department did not have an adequate control structure in place for effective oversight of the Program. Specifically, the Department lacked sufficient policies to assist mentors in the solicitation and selection of protégés, did not monitor the progress of each protégé throughout the duration of the agreement, and did not maintain an adequate tracking system to accurately account for all protégés. Management concurred with the report's recommendations and identified planned actions that are responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- *Report on Assessment of Audit Coverage of Cost Allowability for Lawrence Berkeley National Laboratory under Department of Energy Contract No. DE-AC02-05CH11231 during Fiscal Year 2011 (A12GT051, November 18, 2013)*

(b)(5) [REDACTED]

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

ANNOUNCEMENTS:

- **TRAINING:** The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.

- Fourteen Office of Inspector General employees graduated from the CIGIE Training in Washington, DC.

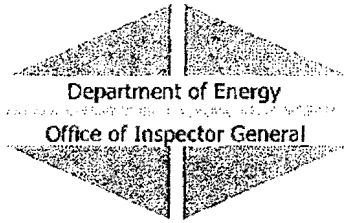


- The Richland Audit Group participated in the local "Day of Caring," in which volunteers from the Pacific Northwest Site Office, Richland Operations Office and Office of River Protection spent the afternoon of November 7, 2013 volunteering at local organizations. The Richland Audit Group spent the afternoon at Second Harvest in Pasco. Second Harvest is committed to ensuring a safe and nutritious supply of food is available to families, children and seniors in need in our neighborhoods. Since opening a food distribution center in 1997, Second Harvest has increased food distribution and improved services to people in need throughout the Columbia Basin. The new warehouse in Pasco distributes nearly 460,000 pounds of food each month, including fresh produce and other wholesome perishable products. Second Harvest's food goes to more than 50 neighborhood food banks and meal centers in southeastern and south central Washington to feed hungry people. The group spent the afternoon sweeping and mopping floors, and clearing tumbleweeds all while braving 30 mile an hour winds. It was a great team effort and everyone was happy to help our local communities!



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Weekly Activity Report
Office of Audits and Inspections
November 25 – 29, 2013

FINAL REPORTS ISSUED:

- **Audit Report on *Federal Energy Regulatory Commission's Fiscal Year 2013 Financial Statement Audit* (OAS-FS-14-01, November 25, 2013)**

The Office of Inspector General contracted with the independent public accounting firm of KPMG, LLP (KPMG) to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on the Commission's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation.

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of the Commission as of and for the years ended September 30, 2013 and 2012, and its net costs, changes in net position, budgetary resources and custodial activities for the years then ended, in conformity with generally accepted accounting principles.

(b)(6) _____ Team Leader: _____
(b)(6) _____ Staff: _____

- **Audit Report on *The Department of Energy's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant Program – District of Columbia* (OAS-RA-14-02 , November 25, 2013)**

The Department of Energy's Energy Efficiency and Conservation Block Grant (EECBG) Program received about \$3.2 billion under the American Recovery and Reinvestment Act of 2009 to help state and local entities develop, implement and manage energy efficiency and conservation projects. Of the funding provided, more than \$2.7 billion was distributed to over 2,000 entities using a population-driven formula. The Department allocated about \$9.6 million in December 2009 to the District of Columbia government through the District Department of the Environment (DDOE). DDOE selected four District of Columbia government agencies and six non-profit community-based organizations (CBOs) to assist in completing retrofits.

We identified multiple weaknesses that led us to question the sufficiency of DDOE's controls over EECBG funding to CBOs. For example, our audit revealed that DDOE had awarded \$630,000 to two CBOs that lacked adequate experience in the area of energy efficiency retrofits, and had advanced over \$160,000 to three CBOs without assigning corresponding work. In contrast, nothing came to our attention to indicate that the work performed by the District of Columbia government entities was not appropriately completed.

We found that the issues identified occurred, primarily, because of an ineffective control environment within DDOE. These issues were not transparent to the Department because DDOE is a government entity, and consistent with existing practices, was not required to provide detailed documentation supporting its EECBG expenditures. Therefore, Department officials may not have had the information necessary to identify these issues and take appropriate

action. The Department agreed with our recommendations and stated that it was working with DDOE to ensure that all corrective actions were implemented.

(b)(6) Team Leader: [redacted]
(b)(6) AIC: [redacted]
(b)(6) Staff: [redacted]

- Special Report on Management Challenges at the Department of Energy – Fiscal Year 2014 (DOE/IG-0899, November 26, 2013)

With its critically important missions in mind, the Office of Inspector General identifies what it considers to be the most significant management challenges facing the Department of Energy each year. The purpose of this effort is to identify challenges to the Department's wide-ranging operations as well as problems with specific management processes. The overall goal is to focus attention on key issues with the objective of aiding Department managers in their efforts to enhance the effectiveness of agency programs and operations.

Based on the results of our body of work over the past year, in our judgment, the management challenges list for Fiscal Year 2014 remains largely consistent with that of the previous year. These challenges include: operational efficiency and cost savings, contract and financial assistance award management, cyber security, environmental cleanup, human capital management, nuclear waste disposal, safeguards and security, and stockpile stewardship.

(b)(6) Staff: [redacted]

DRAFT REPORTS ISSUED:

- Audit Report on Assessment of Cost Allowability for B&W Technical Services Y-12, LLC under Department of Energy Contract No. DE-AC05-00OR22800 during Fiscal Years 2011 and 2012 (A13YT031, November 25, 2013)

(b)(5) [redacted]

(b)(5) [Redacted]

(b)(6) Team Leader: [Redacted]

(b)(6) AIC: [Redacted]

OTHER AUDIT/INSPECTION ACTIVITIES:

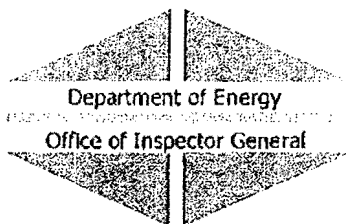
- Last week, Eastern Audits Division members Wayne Herbert and Steve Sommer took advantage of free training provided by the local Oak Ridge Office by attending the "Managing Contract Changes" training course held in Oak Ridge, Tennessee. Attendees included Federal employees from the Oak Ridge Office, Y-12, Berkeley Site Office, and the MOX Project located in South Carolina. The course was very informative and focused on contract changes and the integration of contract and project management in large complex contracts. It also provided valuable insight into the oversight differences between Management and Operating contracts and contracts issued in accordance with the Federal Acquisition Regulation. Management encourages staff to seek out similar no cost training opportunities from their local organizations.

ANNOUNCEMENTS:

- **TRAINING:** The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.
 - The Germantown audit groups welcome Lashae Cain, David Lee and Andrew Seehusen, and welcome back Ryan Cocolin to the Office of Inspector General.
 - Lashae joins us from the Walter Reed National Military Medical Center in Bethesda, MD. With Walter Reed, Lashae served as a Program Manager and was responsible for oversight of the optical program for all branches of the United States Military. Ms. Cain obtained her Master's in Business Administration in 2012.
 - David comes to the OIG from the Defense Contract Audit Agency where he served as an auditor reviewing proposals, cost accounting standards, direct rates, contractor's indirect rates and incurred costs. David has a Master's Degree in Accounting and is a Certified Public Accountant.
 - Andrew joined the OIG by way of the Government Accountability Office. At GAO, Andrew performed financial statement audit procedures at the Securities and Exchange Commission and the Federal Deposit Insurance Corporation. Andrew has a Bachelor's Degree in Accounting and Finance and is a Certified Public Accountant.
 - Ryan I has a Master's Degree in Business Administration. He previously worked for the OIG from November 2010 through January 2013, Ryan rejoins the OIG from the private sector. Prior to the OIG, he spent 3 years in the Army as a Field Artillery Officer.
-

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Weekly Activity Report
Office of Audits and Inspections
December 2 – 6, 2013

FINAL REPORTS ISSUED:

- **Special Report on the Department of Energy's July 2013 Cyber Security Breach (DOE/IG-0900, December 6, 2013)**

To facilitate its administrative and operational needs, the Department of Energy maintains a substantial amount of personally identifiable information (PII). The Department's Management Information System (MIS) provides a gateway for users to access a system known as the DOE Employee Data Repository (DOEInfo) database. Because of the importance of ensuring the security of the Department's systems and sensitive information and at the request of the Chief Information Officer, we commenced a special review into the circumstances surrounding the MIS/DOEInfo breach.

In spite of a number of early warning signs that certain personnel-related information systems were at risk, the Department had not taken action necessary to protect the PII of a large number of its past and present employees, their dependents and many contractors. We concluded that the July 2013 incident resulted in the exfiltration of a variety of PII on over 104,000 individuals. Our review identified a number of technical and management issues that contributed to an environment in which this breach was possible. We also identified numerous contributing factors related to inadequate management processes. We also found that the extent of PII stolen was much more extensive than that originally reported by the Department.

These issues created an environment in which the cyber security weaknesses we observed could go undetected and/or uncorrected. While we did not identify a single point of failure that led to the MIS/DOEInfo breach, the combination of the technical and managerial problems we observed set the stage for individuals with malicious intent to access the system with what appeared to be relative ease. Management concurred with our recommendations and indicated that it had taken and/or initiated corrective actions.

(b)(6) Team Leader: [REDACTED]
(b)(6) AtC: [REDACTED]
(b)(6) Staff: [REDACTED]

- **Audit Report on Assessment of Audit Coverage of Cost Allowability for National Renewable Energy Laboratory during Fiscal Years 2009 through 2011 under Department of Energy Contract No. DE-AC36-08GO28308 (OAS-V-14-03, November 26, 2013)**

The National Renewable Energy Laboratory (NREL) supports the Department of Energy's (Department) research and development initiatives. Since October 1, 2008, the Alliance for Sustainable Energy, LLC (Alliance) has managed and operated NREL. During Fiscal Years (FYs) 2009 through 2011, Alliance incurred and claimed costs of approximately \$1.2 billion. As an integrated management and operating contractor, Alliance's financial accounts are integrated with those of the Department, and the results of transactions are reported monthly according to a uniform set of accounts.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Alliance's Internal Audit did not meet Institute of Internal Auditors Standards and could not be relied upon for FYs 2009 through 2011. However, we found that Alliance had not always conducted or arranged for audits of cost-type subcontracts during FYs 2009 through 2011. Thus, we considered approximately \$17.6 million in incurred costs on 42 subcontracts as unresolved pending audit. Further, Alliance asserted that, in lieu of audits, it had conducted 20 "attestation engagements" in accordance with generally accepted Government auditing standards (GAGAS). However, we concluded that reliance could not be placed on these "attestation engagements" because Subcontract Audit had not always complied with GAGAS regarding supervision, quality control, independence and compliance statements.

We found that Internal Audit reported \$94,093 in questioned costs during FYs 2009 through 2011. Of this amount, \$12,909 had been recovered and \$81,184 had been resolved based on retroactive approvals of transactions or receipt of additional supporting documentation. Additionally, during this period, Internal Audit reported a material internal control weakness related to an accrual issue, which was subsequently resolved. Subcontract audits performed by the Defense Contract Audit Agency and "attestation engagements" performed by Subcontract Audit also resulted in over \$1.4 million of questioned costs. Of this amount, \$325,471 had not yet been recovered by the Department, although the Contracting Officer had made a determination that the costs were unallowable. Finally, we noted that an account discrepancy, which Internal Audit continually reported for over 10 years, remained unresolved. Specifically, the trial balance for one accrued cost liability account in NREL's accounting system was out of balance by approximately \$1.2 million with the Department's accounting system. Management concurred with our recommendations and proposed corrective actions.

(b)(6)
(b)(6)
(b)(6)

Team Leader: [REDACTED]

AIC: [REDACTED]

Staff: [REDACTED]

DRAFT REPORTS ISSUED:

No activity reported.

OTHER AUDIT/INSPECTION ACTIVITIES:

- An entrance conference was conducted on December 3, 2013 for the audit of the Department's Management of Spare Parts and Other Special Items. The objective of the audit is to determine whether the Department is effectively managing its spare parts and other special items across the complex. Representatives from the Office of Management, the National Nuclear Security Administration, the Office of Science, the Office of Environmental Management, and the Office of Nuclear Energy attended.
- On December 5, 2013, an entrance conference was conducted for the audit of the Department Energy's Audit Resolution and Follow-up Process. The objective of the audit is to determine whether the Department has corrected previously reported problems with the audit resolution and follow-up process and whether issues identified in recent audits have been resolved. Representatives from the Office of Chief Financial Officer, the National Nuclear Security Administration, the Advance Research Projects Agency, Federal Energy Regulatory Commission, the Berkeley Site Office, the Carlsbad Field Office, the Office of the Chief of Staff, the Oakridge National Laboratory Office, Environmental Management, the Department of Energy's Idaho Operation Office, the Western Area Power Administration, Office of Health Safety and Security,

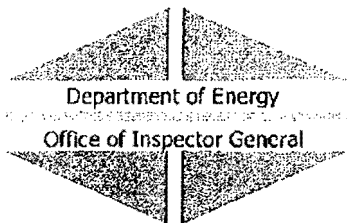
the Department Of Energy's Savannah River Operation Office and the Office of IT Corporate Management.

ANNOUNCEMENTS:

- TRAINING: The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.

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Weekly Activity Report
Office of Audits and Inspections
December 9 – 13, 2013

FINAL REPORTS ISSUED:

- **Audit Report on *Department of Energy's Nuclear Waste Fund's Fiscal Year 2013 Financial Statement Audit* (OAS-FS-14-02, December 11, 2013)**

The Office of Inspector General contracted with the independent public accounting firm of KPMG, LLP (KPMG) to conduct an audit of the Department of Energy's Nuclear Waste Fund's Fiscal Year 2013 balance sheet and the related statements of net cost, changes in net position and combined statements of budgetary resources.

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with United States generally accepted accounting principles.

The auditors' review of the Fund's internal control structure and compliance with certain laws and regulations disclosed no deficiencies or instances of noncompliance required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance.

(b)(6) Team Leader: [redacted]
(b)(6) Staff: [redacted]

- **Audit Report on *Department of Energy's Fiscal Year 2013 Consolidated Financial Statements* (OAS-FS-14-03, December 12, 2013)**

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the Office of Inspector General engaged the independent public accounting firm of KPMG, LLP (KPMG) to perform the audit of the Department of Energy's Fiscal Year 2013 Consolidated Financial Statements. KPMG audited the consolidated financial statements of the Department as of September 30, 2013 and 2012, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statement of budgetary resources for the years then ended.

The audit revealed certain deficiencies in internal control related to unclassified network and information systems security that were considered to be a significant deficiency. A significant deficiency was identified regarding Unclassified Network and Information Systems Security in the Department's system of internal controls, and is not considered a material weakness. The audit disclosed no instances of noncompliance or other matters that are required to be reported under applicable audit standards and requirements. We appreciated the cooperation of Department elements during the review.

(b)(6) Team Leader: [redacted]
(b)(6) Staff: [redacted]

DRAFT REPORTS ISSUED:

- **Draft Audit Report on *Fiscal Year 2012 Work Performed Under the Work for Others Program at Los Alamos National Laboratory* (A13LA030, December 11, 2013)**

The Office of Inspector General contracted with an independent certified public accounting firm, KPMG, LLP (KPMG), to assess the internal control structure at Los Alamos National Laboratory (LANL) and determine whether it is effective in achieving the current goals and objectives of the Work for Others (WFO) Program. For Fiscal Years (FYs) 2010 through 2012, LANL's WFO activities comprised between 10 and 12.5 percent of its annual funding. Specifically, WFO funding was \$268 million in FY 2010, \$241 million in FY 2011 and \$206 million in FY 2012. However, these figures do not include classified WFO projects, which were not included in the scope of this audit.

KPMG concluded that, except for the finding detailed in the attached report, LANL implemented internal controls and compliance procedures in FY 2012 that met the Department's WFO Program requirements, as stated in Department regulations, guidance and applicable contract provisions. However, KPMG found labor costs of certain personnel who primarily supported the WFO Program were not allocated to WFO projects. Rather, the labor costs were allocated as part of the indirect rates to both the Department and WFO projects on an organization-wide basis, rather than using an allocation base that bears a more direct causal beneficial relationship to the support costs. KPMG estimated that during FY 2012, the Department would have an annual savings of approximately \$2.0 million by implementing a separate indirect rate for these support organizations. KPMG recommended that LANL and the NNSA Los Alamos Field Office consider the cost benefit of removing the WFO related organization support costs from the general and administrative and program support cost pools, and establish a separate indirect cost pool for allocating these costs to WFO projects and other projects supported by the WFO support organization on a base that has a more direct causal beneficial relationship to the employee's functions.

(b)(6) _____ Technical Monitor

- **Draft Audit Report on *National Nuclear Security Administration Nuclear Weapons Systems Configuration Management* (A12AL024, December 12, 2013)**

The Office of Inspector General received multiple allegations regarding National Nuclear Security Administration's (NNSA) management of Configuration Management (CM) information. The allegations related to incomplete product definitions for NNSA nuclear weapons, and mismanagement of classified nuclear weapons drawings, a situation that could lead to unauthorized changes to the drawings. As a result, we initiated this audit to determine whether NNSA had maintained accurate and complete CM information for nuclear weapons and nuclear weapons components to support safe, sound and timely decisions related to these devices.

Our review substantiated the allegations that NNSA had not always maintained accurate and complete CM information for its nuclear weapons and components. We also identified additional concerns with the use of nuclear weapons parts and components that did not conform to specifications. For instance, we found that NNSA sites could not always locate "as-built" product definitions or associated drawings for nuclear weapons and components in its official records repositories, and sites did not always ensure that parts that did not conform to specifications were actually fit for use in a nuclear weapon.

Because of the significance of these issues and the potential impact on stockpile reliability, we made recommendations designed to improve NNSA's configuration management and its efforts to prioritize planned weapons initiatives.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

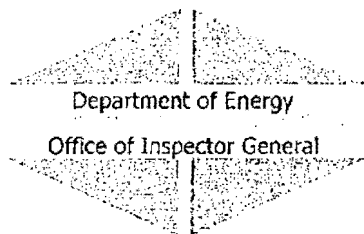
- An entrance conference was conducted on December 12, 2013 for the audit of the Follow-up on Treatment of High Level Waste at the Savannah River Site. The objective of the audit is to determine whether the Department is operating the Defense Waste Processing Facility efficiently and effectively to maximize the amount of high level waste processed and the number of canisters produced. Representatives from the Savannah River Operations Office, Office of Waste Disposition attended. Francis Bolton is the Auditor-in-Charge for this audit effort.

ANNOUNCEMENTS:

- Congratulations to Lindsey Poppe of the Richland Audit Group, who passed all four parts of the CPA exam in less than 6 months.
- Congratulations to Wayne Herbert of the Eastern Audits Division, who completed his Master's degree in Business Administration at the University of Tennessee in Knoxville.
- Congratulations to Pamela Baizas of the Livermore Audit Group for receiving her Master's degree in Public Administration from the University of San Francisco. She was selected as the commencement speaker and was also inducted to Pi Alpha Alpha, the National Honor Society for Public Affairs and Administration. She was also involved in the Graduate Student Senate and served as the Senator representing all graduate students from all branch campuses of the University of San Francisco.
- TRAINING: The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.

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Weekly Activity Report Office of Audits and Inspections

December 16, 2013 – January 3, 2014

FINAL REPORTS ISSUED:

- Special Report on NNSA's Management of the \$245 million Nuclear Materials Safeguards and Security Upgrades Project Phase II at Los Alamos National Laboratory (DOE/IG-0901, January 2, 2014)

To address aging security infrastructure, the National Nuclear Security Administration is now in the final phase of a project to upgrade security at the Los Alamos National Laboratory's (LANL) Technical Area-55. These upgrades, known collectively as the Nuclear Materials Safeguards and Security Upgrades Project - Phase II (NMSSUP), began in 2009. LANL divided the bulk of the project into five firm-fixed price subcontracts that were awarded to one design company and three construction contractors. Due to favorable contract bids in April 2011, NNSA reduced the estimated total project cost from \$245 million to \$213 million. The project consisted of more than 2,200 scheduled activities and was expected to be completed in January 2013. Los Alamos National Security, LLC (LANS) is the management and operating contractor for LANL.

Our review revealed that the NMSSUP suffered from a number of project management weaknesses. These issues ultimately resulted in cost increases of as much as \$41 million and delayed completion of the project by nearly a year. In addition, management information systems failed to provide accurate and complete information about the funds available to complete the remaining work scope. These project management issues created a series of problems that collectively resulted in significant unanticipated cost and schedule impacts. Although it failed to take effective action to address project management weaknesses in NMSSUP, the Department implemented detective controls that identified many of the issues in this report and are key tools for holding Department contractors accountable for their performance. NNSA had taken a number of positive actions to hold LANS accountable for lack of performance; however, project management concerns remain despite these actions.

NNSA management generally concurred with our recommendations and acknowledged the problems that previously plagued the project; however, Management disagreed with our description of the evolution of NMSSUP's cost baseline and our conclusion that the project's costs exceeded its approved baseline. Management's existing and planned corrective actions are fully responsive to our recommendations.

(b)(6) Team Leader: [REDACTED]
(b)(6) AIC: [REDACTED]
(b)(6) Staff: [REDACTED]

- Management Letter on the Federal Energy Regulatory Commission's Fiscal Year 2013 Financial Statement Audit (OAS-FS-14-04, December 18, 2013)

The letter was prepared by KPMG, LLP, and details are not provided because it is marked Official Use Only.

(b)(6) Team Leader: [REDACTED]
(b)(6) Staff: [REDACTED]

DRAFT REPORTS ISSUED:

- **Draft Audit Report on *Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories* (A13CH027, December 20, 2013)**

The *Department of Energy National Competitiveness Technology Transfer Act of 1989* established technology transfer as a mission of Federal research and development agencies, including the Department of Energy (Department). The Department has since encouraged its national laboratories to enter into technology partnering activities with non-Federal entities and has authorized its facilities to patent and license intellectual property that may arise from research and development activities.

The *Energy Policy Act of 2005* and the October 2011 Presidential Memorandum on *Accelerating Technology Transfer and Commercialization of Federal Research in Support of High-Growth Businesses* had specific requirements regarding the Department's technology transfer and commercialization efforts.

Our review revealed opportunities to improve the effectiveness of the Department's management of its technology transfer and commercialization efforts. Specifically, we found that the Department had not finalized quantitative performance metrics necessary for it to determine the success of its technology transfer and commercialization efforts, developed a forward-looking approach for investing the Energy Technology Commercialization Fund required by the *Energy Policy Act of 2005*, and ensured the national laboratories were consistently treating their equity holdings in licensees received as part of their technology transfer efforts. Due to turnover in key staff, we were unable to definitively determine why the Department had failed to finalize and transmit its Execution Plan to Congress.

In the absence of finalized performance metrics and forward looking budgets, the Department is at increased risk of failing to maximize its return on investment of limited technology transfer and commercialization funds. We made several recommendations that, if implemented, should help improve the Department's technology transfer program.

(b)(6) _____ Team Leader: [REDACTED]
(b)(6) _____ AIC: [REDACTED]
(b)(6) _____ Staff: [REDACTED]

- **Draft Audit Report on *Compliance with the Memorandum of Agreement Between the U.S. Department of Energy and the Energy Child Development Centers, Inc.* (A13GT016, December 18, 2013)**

The Office of Inspector General contracted with Lopez and Company, LLP (Lopez) to determine if the Energy Child Development Centers, Inc. (ECDC, Inc.) met the reporting and performance requirements of its December 16, 2002 Memorandum of Agreement (MOA) with the Department of Energy for the period of December 16, 2002 through December 31, 2011.

Lopez concluded that ECDC, Inc. did not meet the reporting and performance compliance requirements of the MOA. Due to a lack of documentation maintained by ECDC, Inc., Lopez was unable to make a determination of ECDC Inc.'s compliance with 8 of 13 major risk areas. For the remaining key processes, Lopez concluded that ECDC, Inc. did not materially comply with reporting and performance requirements. Specifically, Lopez found that ECDC, Inc. did not adequately screen recipients for tuition assistance eligibility in accordance with the MOA and General Services Administration requirements, provide both financial and program reporting as required by the MOA, always ensure that its financial and tax information reports reflected actual financial activity, and maintain documentation demonstrating that its Board of Directors was duly constituted according to its own bylaws.

Due to the lack of reporting and performance compliance with the MOA, the overall recommendation is that the Department considers terminating the MOA with ECDC, Inc. or work with ECDC, Inc. to revise its governance structure and the MOA and enforce the provisions of the MOA.

(b)(6) Assistant Director: [REDACTED]
(b)(6) Team Leaders: [REDACTED]
(b)(6) Staff: [REDACTED]

OTHER AUDIT/INSPECTION ACTIVITIES:

No activity reported.

ANNOUNCEMENTS:

(b)(6) • Terri Toole's granddaughter [REDACTED]
(b)(6) [REDACTED] Terri's daughter [REDACTED] are both doing well.

- The Germantown Audit groups were fortunate to be able to sponsor a family from Germantown Help this holiday season. In an effort to make the holidays a little brighter for one family, the Germantown office was able to provide a holiday meal, clothes and toys for a mother and four children this year. Germantown auditors delivered the items to the mother on December 20, 2013.

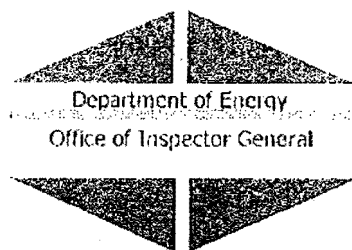
- TRAINING: The DOE Supervisory/Non-Supervisory Performance Management Course and the Introduction to Classified Matter Protection and Control Course must be completed by January 15, 2013.



Distribution:

Inspector General
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Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders

Document Number 4



WEEKLY ACTIVITY REPORT

Ending January 4, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Sentencing in Fraud Case

On December 20, 2012, the spouse of a former member of the Department's Senior Executive Service was sentenced in U.S. District Court in Greenbelt, MD, to serve 2 years probation, fined \$1,000, and ordered to pay the Department \$104,000 in restitution. As previously reported, the spouse was convicted on one count of aiding and abetting. The investigation determined the former employee arranged for the spouse to receive over \$1.2 million in consulting fees and subcontract payments on a Department project the former employee orchestrated.

(b)(6),(b)(7)(C)

(109HQ018: [REDACTED])

2. Indictment in Per Diem Fraud Investigation

On December 19, 2012, a Federal grand jury in the District of South Carolina indicted a former Savannah River Site subcontractor employee on one count of theft of Government funds and seven counts of false statements. As previously reported, the investigation determined that the former subcontractor employee fraudulently received over \$69,000 in per diem benefits by falsifying per diem eligibility certifications. (111SR026: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	39	46	43	37	25	27	9
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							3
TOTAL:	39	46	47	37	25	29	13
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	1	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	4:1	5:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	0	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	102
Total Hotline Complaints Predicated:	2
Total Referral Letters Issued:	0
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/04/2013

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	10	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	5	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

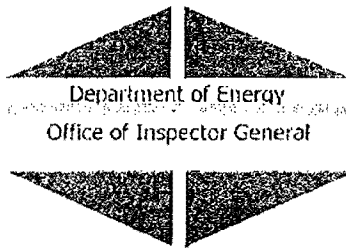
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending January 11, 2013

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SIGNIFICANT ACTIVITY

- None

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	46	43	37	25	27	9
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							3
TOTAL:	40	46	47	37	25	29	13
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	4:1	5:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	2	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	80
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	3
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/11/2013

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	10	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	5	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6), (b)(7)(C) • Region 5 – On January 7, 2013, [REDACTED] conducted a briefing to approximately 20 finance managers at the Lawrence Livermore National Laboratory, Livermore, CA.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

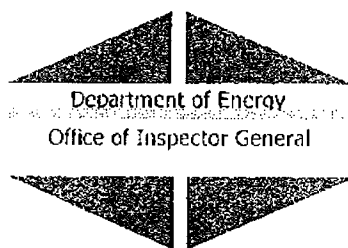
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Department of Energy
Office of Inspector General

Ending January 18, 2013

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SIGNIFICANT ACTIVITY

- **Former Department Subcontractor Employee Debarred**

On January 11, 2013, the OIG learned that a former Department subcontractor employee had been debarred from Government contracting for a period of 3 years. As previously reported, a Federal grand jury in the District of South Carolina indicted the former Department subcontractor employee on one count of theft of public funds and three counts of false statements. The former Department subcontractor employee entered into a pretrial diversion agreement requiring 100 hours of community service and \$32,428 in restitution. The investigation determined that the former Department subcontractor employee falsified three per diem certification forms in order to receive per diem payments which would have otherwise been unauthorized. (11SR024;)

(b)(6).(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	46	44	37	25	27	9
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	0
TCS Fraud Case Support:							3
TOTAL:	40	46	48	37	25	29	12
Cases Opened:	0	1	1	0	0	0	0
Cases Closed:	0	1	0	0	0	0	1
Case Ratio:	5:1	7:1	6:1	6:1	3:1	4:1	4:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	0	2	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	117
Total Hotline Complaints Predicated:	4
Total Referral Letters Issued:	26
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/18/2013

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	8		0	8
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>		<u>Cases Withdraw This Week</u>	<u>Total Closed In FY 2013</u>
1	0		0	6

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

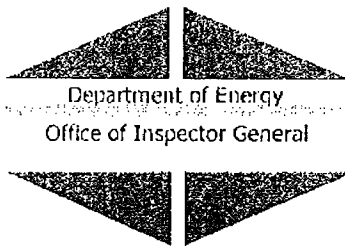
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 25, 2013

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SIGNIFICANT ACTIVITY

1. Search Warrant Executed In Small Business Innovative Research (SBIR) Fraud Investigation

(b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A) (I10HQ014:)

2. Investigative Report to Management (IRM) Issued to Oak Ridge Office (ORO)

On January 24, 2013, an IRM was issued to the ORO Manager regarding access to ORO's electronic information management system. As previously reported, the investigation determined that a former Department contractor employee copied proprietary software and a computer file from ORO systems containing Personally Identifiable Information for 16,068 current and former Department employees and contractors without authorization prior to his termination. (I12OR004:)

(b)(6),(b)(7)(C)

3. IRM Issued To Weatherization Assistance Program (WAP)

On January 22, 2013, an IRM was issued to the Deputy Assistant Secretary, Office of Weatherization, regarding income eligibility and conflict of interest requirements for the Weatherization Assistance Program (WAP). Several individuals affiliated with the Southwest Michigan Community Action Agency (SMCAA) received or applied for WAP funds, creating possible conflicts of interest because SMCAA is a sub-recipient of Department WAP funds. Shortcomings were also identified in how SMCAA calculated income requirements for WAP recipients. (I12PT004:)

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	40	47	44	37	25	28	9
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	0
TCS Fraud Case Support:							3
TOTAL:	40	47	48	37	25	30	12
Cases Opened:	0	1	0	0	0	1	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	6:1	4:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	4	1	1	0	1	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	87
Total Hotline Complaints Predicated:	5
Total Referral Letters Issued:	1
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/25/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
0	8	0	0	8
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	6	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Confidential Financial Disclosure Report** – OI employees who have received a CHRIS email notification that they must file an Annual Confidential Financial Disclosure Report should ensure that the report is filed no later than February 15, 2013.

JOYS, CARES, CONCERNS

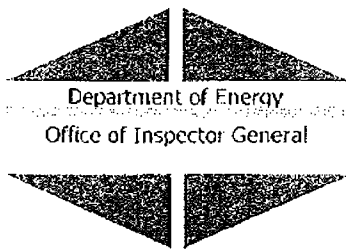
- Congratulations to (b)(6),(b)(7)(C) who was selected as the (b)(6),(b)(7)(C) for Hotline Operations. (b)(6),(b)(7)(C) begins her new position on January 28, 2013.
- On January 22, 2013, the OIG received a letter of commendation from the U. S. Attorney's Office for the Middle District of Pennsylvania recognizing the outstanding efforts of (b)(6),(b)(7)(C) in a grant fraud investigation that resulted in a Pennsylvania State University professor being convicted and incarcerated for 41 months and ordered to pay \$640,660 in restitution. The investigation also identified significant cost savings and recovered funds for the Department. Congratulations (b)(6),(b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- A vacancy announcement for an Operations Officer (GS-1811-13/14) will be posting soon to USAJobs. All interested personnel are encouraged to apply.
- The OI Managers Meeting scheduled for February 25 – March 1 has been postponed and will be rescheduled.

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WEEKLY ACTIVITY REPORT

Ending February 1, 2013

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1. Former Department Contractor Employees Pled Guilty

On January 10, 2013, in the Seventh Judicial District of Idaho, two former Idaho National Laboratory (INL) contractor employees each pled guilty to one count of grand theft. The investigation determined both individuals stole Department power equipment and tools from INL valued at over \$5,000. Sentencing is scheduled for February 20, 2013. (I12IF005: [REDACTED])

(b)(6),(b)(7)(C)

2. Recovered Funds as a Result of an OIG Investigation

On January 23, 2013, the OIG was notified the Department de-obligated \$152,844 from a grant issued to Pennsylvania State University (PSU). As previously reported,

(b)(7)(A)

(b)(7)(A)

I10HQ016: [REDACTED]

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	40	47	42	38	26	29	11
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	0
TCS Fraud Case Support:							3
TOTAL:	40	47	46	38	26	31	14
Cases Opened:	0	0	0	1	1	1	2
Cases Closed:	0	0	2	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	6:1	4:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	1	0	1	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	97
Total Hotline Complaints Predicated:	6
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/31/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
0	10	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed In FY 2013</u>	
0	2	0	6	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 4 – On January 25, 2013, [redacted] conducted a briefing to 5 managers from Sandia National Laboratories.

OTHER MATTERS

- (b)(6),(b)(7)(C) • Welcome to (b)(6),(b)(7)(C) [redacted] a new member of the Management and Administration (MA) staff. OI will benefit from [redacted] support on various budget (b)(6),(b)(7)(C) matters, and [redacted] will serve as the final approval of all CHRIS training requests.
- CHRIS Workflow – Please update the Employee Training Workflow Profile in CHRIS for OI employees to reflect the following:

Step 1: Immediate Supervisor

Step 2: (b)(6),(b)(7)(C) [redacted]

Step 3: [redacted]

Step 4: [redacted]

Step 5: [redacted]

JOYS, CARES, CONCERNS

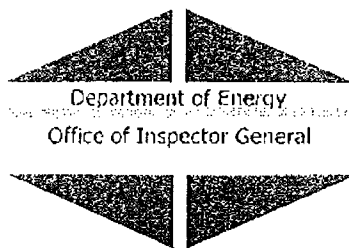
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- A vacancy announcement for Operations Officer (GS-1811-13/14) is currently open on USAJobs until February 12, 2013. All interested personnel are encouraged to apply.

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WEEKLY ACTIVITY REPORT

Ending February 8, 2013

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SIGNIFICANT ACTIVITY

1. Returned American Recovery Act Funds

On February 4, 2013, the OIG was informed that a Department grantee returned \$842,189 to the Department. The grant funds were awarded under the Recovery Act, and an audit by the OIG Office of Audits determined that the grantee used the funds for activities beyond the approved scope of work. Specifically, the grantee, in lieu of pending work furloughs, paid some of its employees with Department funds to work on unrelated non-profit projects outside of the workplace. This investigation continues in support of Civil False Claims Act penalties. (I13PT004: [redacted] (b)(6), (b)(7)(C)

2. Guilty Plea in Western Area Power Administration (WAPA) Theft

On February 4, 2013, an individual with no Department affiliation pled guilty to theft of Government property and destruction of an energy facility in the U.S. District Court for the District of Colorado. The investigation determined that the individual and an accomplice burglarized a WAPA electrical substation in Sterling, CO, and stole several items, including a vehicle. The OIG recovered most of the property, which was valued at approximately \$100,000. This is a joint investigation with the (b)(7)(A) [redacted] (I12DN005:

(b)(6), (b)(7)(C)

3. Former Subcontractor Employee Pled Guilty

On February 6, 2013, a former subcontractor employee at the Y-12 National Security Complex (Y-12) pled guilty to one count of theft in the 7th Judicial District of Tennessee, Anderson County. The individual was sentenced to 30 months probation and ordered to pay in restitution to Y-12 and a fine and court costs totaling \$986. The investigation determined that the employee stole approximately 1,400 pounds of copper wire from the Y-12 site and sold it at a local scrap yard on 15 separate occasions. (I10OR011: [redacted]

(b)(6), (b)(7)(C)

4. Indictment in Embezzlement of Recovery Act Funds

On January 31, 2013, the former (b)(6),(b)(7)(C) for Louisiana Association of Community Action Partners (LACAP), Inc., Baton Rouge, LA, was charged through a Criminal Information with embezzling more than \$50,857 in Federal funds. LACAP received funding from the Department and the Department of Health and Human Services for weatherization and software training. The investigation determined that from September 2011 through November 2011, the former (b)(6),(b)(7)(C) used (b)(6),(b)(7)(C) position to embezzle funds from these programs for personal use. The investigation is ongoing. (b)(6),(b)(7)(C) (112CH004: (b)(6),(b)(7)(C))

5. Former Department Subcontractor Employee Debarred

On January 29, 2013, the Department's Office of Acquisition and Project Management debarred a former Department subcontractor employee. As previously reported, a Federal grand jury in the District of South Carolina indicted the former Department subcontractor employee on one count of theft of public funds and one count of false statements. The former Department subcontractor employee entered into a pretrial diversion agreement requiring restitution of \$14,356, 100 hours of community service, and a suspension of employment with the Department or any of its contractors for a period of 18 months. The investigation determined the former contractor employee falsified per diem certification forms, resulting in the payment of \$14,356 that otherwise would have been unauthorized. (111SR012: (b)(6),(b)(7)(C))

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	46	42	38	28	30	11
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	0
TCS Fraud Case Support:							3
TOTAL:	40	46	46	38	28	32	14
Cases Opened:	0	0	0	0	2	1	0
Cases Closed:	0	1	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	4:1	6:1	5:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	3	0	3	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	112
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/07/2013

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	9	0	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	6	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6),(b)(7)(C)
- Region 5 - On January 31, 2013, [REDACTED] conducted a briefing to 100 procurement officials and managers at the Lawrence Livermore National Laboratory.

OTHER MATTERS

- Deputy Inspector General for Investigations John Hartman and AIGI Michael Milner visited the Region 6 Investigations Office in Richland, WA. During their visit, they met with OI and Office of Audits staff, as well as, Office of River Protection Manager Kevin Smith and Richland Operations Office Deputy Manager Doug Shoop.

JOYS, CARES, CONCERNS

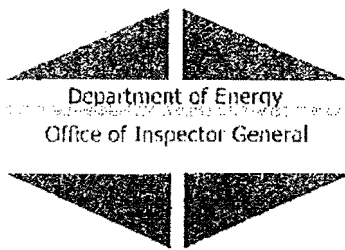
- Please join us in wishing (b)(6),(b)(7)(C) well as [] begins [] new position next week with the Consumer Financial Protection Bureau. [] will be missed! (b)(6),(b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The mission of P3 is to serve as OI's point of contact with Management and Administration (MA). We can occasionally resolve certain issues or provide clarification without involving MA. Please route all requests, other than personal Human Resources matters, destined for MA through (b)(6),(b)(7)(C)

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
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WEEKLY ACTIVITY REPORT

Ending February 15, 2013

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued to Portsmouth/Paducah Project Office (PPPO)

On February 12, 2013, an IRM was issued to the PPPO Manager with one recommendation. The OIG investigation developed facts indicating from August 2001 through September 2009, the U. S. Enrichment Corporation (USEC) overbilled the Department approximately \$16,590,000 using inflated average hourly rates. As a result, USEC violated Federal Acquisition Regulation provisions regarding allowable cost and charged the Department more money than it actually paid its employees. The IRM recommended PPPO determine if USEC overbilled the Department, and if so, take appropriate action to recover the overbilled amounts.

(b)(6),(b)(7)(C)

(102OR012: [REDACTED])

2. Former Subcontractor Employee Sentenced

On February 12, 2013, in U.S. District Court for the District of South Carolina, a former subcontractor employee was sentenced for fraudulently receiving per diem benefits while working at the Savannah River Site. The former subcontractor employee was sentenced to 5 years probation and ordered to pay \$19,226 in restitution. As previously reported, the former subcontractor employee was indicted and pled guilty to fraudulently receiving per diem benefits by creating over 50 false hotel receipts to maximize his per diem benefits. (I11SR017: [REDACTED])

(b)(6),(b)(7)(C)

3. Former Western Area Power Administration (WAPA) Employee Indicted for Mail Fraud

On February 6, 2013, a Federal grand jury in the District of Montana indicted a former WAPA employee on five counts of mail fraud. The OIG investigation determined that from 2001 to 2012, the individual defrauded the U.S. Department of Labor's (DOL) Office of Workers Compensation Program by not reporting his self-employment income, resulting in long-term disability overpayments of approximately \$275,000. This is a joint investigation with (b)(7)(A) [REDACTED]

(b)(6),(b)(7)(C)

(108DN003: [REDACTED])

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	39	45	42	39	28	30	12
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	0
TCS Fraud Case Support:							3
TOTAL:	39	45	46	39	28	32	15
Cases Opened:	0	0	0	1	0	0	1
Cases Closed:	1	1	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	4:1	6:1	6:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	1	0	3	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	104
Total Hotline Complaints Predicated:	3
Total Referral Letters Issued:	4
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/14/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
0	9	0	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	6	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The Department encourages all employees to log into the Employee Self Service site and update their personal information. This will ensure you receive Departmental notifications in a timely manner.

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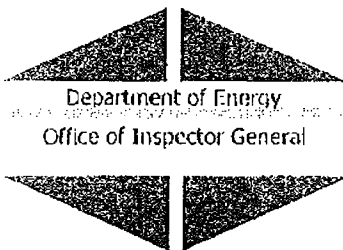
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Supplemental policy issued this week regarding Firearms Tracing is viewable in the intranet version of the Investigations Manual, Chapter 9. Please contact your SAC or the P3 Director if you have questions regarding this new policy

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WEEKLY ACTIVITY REPORT
Ending February 22, 2013

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SIGNIFICANT ACTIVITY

1. Seizure Warrants and Notice of Forfeiture Executed in Theft Investigation of Contractor Employee

(b)(7)(A)

(b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(I13OR004: _____)

2. Former Department Contractor Employees Sentenced for Theft of Government Property

On February 20, 2013, two former Idaho National Laboratory (INL) subcontractor employees were sentenced in the Butte County District Court in Arco, Idaho to 14 days incarceration and 3 years probation, and they were fined \$750.00 and \$1,000, respectively. As previously reported, the two former INL subcontractor employees each pled guilty to one count of Grand Theft in connection with the theft of Department owned tools and property from the INL. (I12IF005: _____)

(b)(6), (b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	34	45	42	39	29	30	13
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	0
TCS Fraud Case Support:							3
TOTAL:	34	45	46	39	29	32	16
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	5	1	0	0	0	0	0
Case Ratio:	4:1	7:1	6:1	6:1	4:1	6:1	6:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	6	6	6	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	0	1	3	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	122
Total Hotline Complaints Predicated:	9
Total Referral Letters Issued:	4
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/21/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	8	0	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
1	1	0	7	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- On February 19, 2013, (b)(6),(b)(7)(C) conducted a briefing to the State of Georgia Inspector General and Deputy Inspector General, as well as officials from the State of Georgia Environmental Finance Authority.

OTHER MATTERS

- For Operations Officer related matters, please contact (b)(6),(b)(7)(C) at (b)(6),(b)(7)(C) or telephone number (b)(6),(b)(7)(C).

JOYS, CARES, CONCERNS

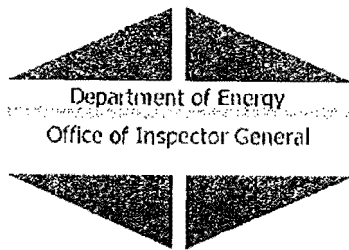
- Please join us in wishing (b)(6),(b)(7)(C) well as [] begins [] new position (b)(6),(b)(7)(C) next week with the National Archives and Records Administration OIG. [] will be (b)(6),(b)(7)(C) missed!

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending March 1, 2013

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SIGNIFICANT ACTIVITY

1. Indictment in Recovery Act Grant Fraud Investigation

On February 26, 2013, a Grand Jury in Travis County, Texas, re-indicted the owner of a Department subcontractor company on two counts of fraud. The indictment supersedes the two-count fraud indictment previously reported in December 2011 and reflects an enhancement outlining the owner's prior Federal felony conviction for the unauthorized possession of explosive devices. This prior conviction will result in a minimum sentence of 10 years if the owner is found guilty on the current charges. The investigation determined the owner and a former State of Texas employee conspired to submit fraudulent documents and false claims relating to wind energy systems while attempting to obtain approximately \$2 million in Recovery Act funds. (I11AL015: (b)(6),(b)(7)(C))

2. Two Investigative Reports to Management (IRMs) Issued to the Office of Procurement and Assistance Management

On February 22, 2013, two IRMs were issued to the Director of the Office of Procurement and Assistance Management recommending suspension and debarment action against two former Hanford Site contractor employees. The investigation determined that between January 2004 and October 2008, several Hanford Site contractor employees had routinely submitted timecards falsely claiming pay for hours they had not worked. As previously reported, the two former contractor employees each pled guilty to one count of Conspiracy to Defraud the Government with Respect to Claims. Their plea agreements call for incarceration up to 12 months, supervised probation, and restitution in the amounts of \$90,000 and \$165,744 respectively. Sentencing is scheduled for October 24, 2013. (I08RL007:

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	34	43	42	39	29	31	13
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	2	4	0	0	1	0
TCS Fraud Case Support:							6
TOTAL:	34	45	46	39	29	33	19
Cases Opened:	0	2	0	0	0	1	0
Cases Closed:	0	2	0	0	0	0	0
Case Ratio:	4:1	7:1	7:1	6:1	4:1	6:1	6:1
TCS Fraud Case Ratio:							3:1
Agents Assigned:	7	6	6	6	6	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	1	2	1	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 136
Total Hotline Complaints Predicated: 10
Total Referral Letters Issued: 6
Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/28/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
0	7	2	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2013</u>	
0	0	0	7	

RECOVERY ACT EFFORTS

- Region 4 — On February 26, 2013, (b)(6);(b)(7)(C) conducted two fraud briefings to sixteen procurement personnel at the Los Alamos National Laboratory.

OTHER MATTERS

- The Inspector General recently received letters of commendation for (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) for their valuable contributions to a recent Inspector General Criminal Investigator Academy program. (b)(6), (b)(7)(C) served as an instructor and (b)(6), (b)(7)(C) served as a facilitator. Their efforts reflect positively on the entire OIG!

JOYS, CARES, CONCERNS

- Our sympathies go out to (b)(6) whose (b)(6) (b)(6)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- OIG policies can be found on the IGComm at: <https://igcomm.doe.gov/policy/oig-policies>.

The following OIG policies under Management and Administration have been added or updated recently:

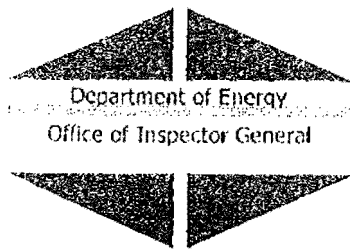
- 1) Personal Travel in Conjunction with Official Travel (to include form to obtain reimbursement) — **NEW**
- 2) Association and Organization-Sponsored Conference Attendance — **UPDATED**
- 3) OIG Conference Management (to include form to request attendance at conferences) — **NEW**

OIG employees should ensure that they are familiar with all OIG policies. If you have any questions about any of the policies, please discuss your questions with your supervisor.

Employees that do not have a current username or password to the IGNet should contact (b)(6), (b)(7)(C) for assistance.

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WEEKLY ACTIVITY REPORT

Ending March 8, 2013

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SIGNIFICANT ACTIVITY

1. Global Settlement Reached with Hanford Site Contractor

On March 6, 2013, the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of Washington (USAO) reached a global settlement agreement with CH2M Hill Hanford Group, Inc. (CH2M Hill) and its parent company. Pursuant to the agreement, CH2M Hill will pay a total of \$18.5 million. The settlement consists of CH2M Hill paying \$16.5 million to resolve its civil liability under the False Claims Act. Additionally, CH2M Hill entered into a Non-Prosecution Agreement with the USAO to resolve its criminal liability. Under that agreement CH2M Hill will refund \$1.95 million in wrongfully obtained profits, dedicate \$500,000 to foster increased accountability at the Hanford Site, and pay for independent monitoring to ensure that CH2M Hill takes adequate corrective actions. The investigation determined that CH2M Hill employees routinely overstated the number of hours they worked on their timecards and that CH2M Hill management condoned the practice as well as submitted inflated claims to the Department that included the fraudulently claimed hours. To date, eight of the employees have entered guilty pleas, and a number are pending adjudication. (108RL007 (b)(6),(b)(7) (C))

2. Five Investigative Reports to Management (IRMs) Issued to Procurement and Assistance Management

On February 28, 2013, five IRMs were issued to the Director of the Office of Procurement and Assistance Management (OPAM) recommending suspension and debarment action against five former CH2M Hill Hanford Group Inc. (CH2M Hill) contractor employees at the Hanford Site. The investigation determined that between 2004 and 2008, multiple CH2M Hill contractor employees at the Hanford Site routinely submitted timecards claiming pay for hours they had not worked. As previously reported, the five former CH2M Hill contractor employees each pled guilty in federal District Court to one count of Conspiracy to Defraud the Government with Respect to Claims. Their plea agreements call for incarceration ranging from

12 to 18 months, supervised probation, and restitutions totaling \$596,467.52. Sentencing is scheduled for later this year. Additionally, OPAM responded to three previously issued IRMs recommending suspension and debarment actions against three former Hanford Site contractor employees who pled guilty to the above described conduct. OPAM considered the matters but declined to take suspension and debarment actions against the former contractor employees. (I08RL007:

(b)(6),(b)(7)(C)

3. Pretrial Diversion Agreement Approved For Former Department Contractor Employee

On February 28, 2013, in U.S. District Court for the District of Oregon, a Pretrial Diversion agreement was reached with a former Department contractor employee. As a condition of the agreement, the former employee is required to pay restitution in the amount of \$30,000 to the Department and remain on good behavior for 18 months. As previously reported, the investigation determined that between 2003 and 2009, the former employee falsified transmission line testing reports submitted to the Bonneville Power Administration. The former employee had faced up to 5 years imprisonment if convicted. (I09RL010: (b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	44	42	39	29	32	13
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	2	4	0	0	1	0
TCS Fraud Case Support:							7
TOTAL:	37	46	46	39	29	34	20
Cases Opened:	1	1	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	7:1	7:1	6:1	4:1	6:1	6:1
TCS Fraud Case Ratio:							3:1
Agents Assigned:	7	6	6	6	6	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	1	1	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	105
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	5
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- In response to an OIG referral, the Portsmouth/Paducah Project Office (PPPO) conducted an inquiry into allegations of falsified security checks at the Portsmouth Gaseous Diffusion Plant. Although the inquiry did not confirm the allegations referred by the OIG, an incident of improper security checks was discovered. According to the response, the PPPO does not believe that falsification of security checks is endemic; however, the PPPO is working with the site contractor to implement the use of a guard tracking system at the site. (I13RS007: (b)(6).(b)(7)(C))

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 03/07/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Open</u>
0	7	2	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2013</u>	
0	0	0	7	

RECOVERY ACT EFFORTS

The Office of Investigations completed 2 Recovery Act-related awareness briefings over the past week, as follows:

- Region 4 – On February 28, 2013, (b)(6).(b)(7)(C) conducted two fraud briefings to 19 procurement personnel at the Los Alamos National Laboratory.
- Region 3 - On March 5, 2013, (b)(6).(b)(7)(C) provided a briefing to Oak Ridge National Laboratory staff members, including the Director of Operations and Oversight and several procurement and program managers.

OTHER MATTERS

- Agents are reminded that formal requests for Audit/Inspection assistance must be processed through Headquarters. See Chapter 19 of the Investigative Manual for details.

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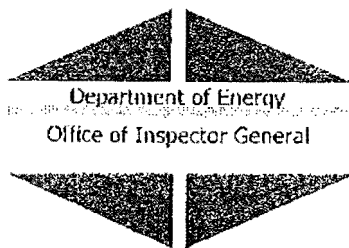
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The MOU with FinCEN for our desktop access has been signed. P3 Director will be identifying users and getting them registered with FinCEN in the coming days.
- We have requested an MOU with ATF that will enable us to use eTrace for tracing any firearms seized as evidence, in compliance with a recent Executive Order.
- Third Quarter travel allocations will be made available the first week of April, but additional procurement allocations are on hold pending the outcome of Continuing Resolution negotiations.

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WEEKLY ACTIVITY REPORT

Ending March 15, 2013

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SIGNIFICANT ACTIVITY

1. Management and Operating Contractor Repays \$4 Million in Fees

On March 8, 2013, the OIG was notified that the Savannah River Site (SRS) Management and Operating Contractor had repaid the National Nuclear Security Administration (NNSA) \$4 million in award fees associated with the construction of the Waste Solidification Building at SRS. (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

(b)(6),(b)(7)(C)

The investigation is ongoing. (I12SR012: [redacted])

(b)(6),(b)(7)(C)

2. Investigative Report to Management (IRM) Issued in Theft Investigation

On March 12, 2013, an IRM was issued to the Director of the Office of Acquisition and Supply Management recommending suspension and debarment action against a former subcontractor employee at the Y-12 National Security Complex (Y-12). As previously reported, the individual pled guilty to one count of theft in the 7th Judicial District of Tennessee in Anderson County and was sentenced to 30 months probation and ordered to pay restitution and fines. The investigation determined the employee stole approximately 1,400 pounds of copper wire from the Y-12 site and sold it at a local scrap yard on 15 separate occasions. (I10OR011: (b)(6),(b)(7)(C))

3. Oak Ridge Office (ORO) Takes Action in Response to IRM

On March 8, 2013, ORO responded to an IRM, concurring with the OIG's concerns regarding ORO's electronic information management system. As a result, ORO created a new information security policy, which consolidated their existing policies into one document and includes procedures for removable media devices. Additionally, ORO procured auditing and forensics tools to help prevent any future incidents. As previously reported, the investigation determined a former Department contractor employee copied proprietary software and a computer file from ORO systems containing Personally Identifiable Information for 16,068 current and former Department employees and contractors without authorization prior to termination. (I12OR004: (b)(6),(b)(7)(C))

(b)(6),(b)(7)(C)

4. Debarment Actions in Weatherization Assistance Program Bribery Case

On March 5 and 13, 2013, a former weatherization auditor and a former weatherization sub-contractor were each debarred for 3 years for their involvement in a bribery/kickback scheme related to that American Recovery and Reinvestment Act (ARRA) funded Weatherization Assistance Program. As previously reported, the former weatherization auditor was convicted in Federal court for directing ARRA awards to the sub-contractor in return for monetary kickbacks. The auditor was sentenced to 2 years supervised probation and 400 hours of community service.

This is a joint investigation with the (b)(7)(A) (I10PT011:
(b)(6),(b)(7)(C)

5. Former Department Contractor Employee Debarred

On March 13, 2013, a former Bonneville Power Administration contractor employee was debarred for a period of 3 years. As previously reported, the investigation determined that the individual embezzled approximately \$36,000 in Department funds for personal use and purchases including electronics, gym memberships, and vacations. (I11IF003: (b)(6),(b)(7)(C)

6. Former Department Contractor Employee Debarred

On March 13, 2013, in response to an IRM, the Director, Office of Acquisition and Project Management, debarred a former Department contractor employee. As previously reported, the individual pled guilty to theft for submitting falsified timesheets and was subsequently sentenced to 3 years probation and agreed to pay \$20,000 in restitution to the Department. (I10OR017: (b)(6) (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	35	44	41	39	31	32	13
Hold:	0	0	0	0	0	1	0
Pending Closure/Action:	0	2	4	0	0	1	0
TCS Fraud Case Support:							7
TOTAL:	35	46	45	39	31	34	20
Cases Opened:	0	0	0	0	2	0	0
Cases Closed:	1	0	1	0	0	0	0
Case Ratio:	5:1	7:1	7:1	6:1	5:1	6:1	6:1
TCS Fraud Case Ratio:							3:1
Agents Assigned:	7	6	6	6	6	5	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	0	0	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	114
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	0
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 03/14/2013

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Open</u>
0	9	0	0	9

<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2013</u>
0	0	0	7

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- On March 12, 2013, SA Laura Slatton served as a panelist during the 2013 Oak Ridge Women's Workshop, sponsored by Federally Employed Women. This year's theme was "Resilience: The Difference is You." The Oak Ridge Office invited SA Slatton to participate in this event after attending one of her fraud awareness briefings.
- Agents are reminded that priority alerts are required to be made to HQ Operations in a timely manner for investigative outcomes such as indictments, convictions, civil settlements, etc. See OI Manual, Chapter 5, Section H, Sub-section 5, for more information.

JOYS, CARES, CONCERNS

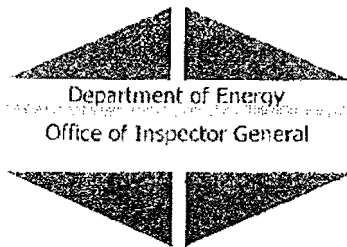
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Mid-Year Performance Reviews are due for all INV personnel by March 31, 2013.
- All training, other than FLETC/IGCIA training, which results in expenditure of funds, whether for tuition and/or travel, is now considered a conference by the Department and requires submission of a Conference Attendance Request Form. Please see IGComm>Policy>Management and Administration>Policy>OIG Conference Management for additional information.

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WEEKLY ACTIVITY REPORT

Ending March 22, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Hanford Site Contractor Employee Pled Guilty in Purchase Card Investigation

On March 14, 2013, a former Hanford contractor employee pled guilty to one count of violating the Anti-Kickback Act in the U.S. District Court for the Eastern District of Washington. As previously reported, the investigation determined that the contractor employee offered and provided kickbacks to at least 14 Fluor material coordinators on multiple occasions between 2005 and 2008, to induce purchases from the former contractor's company over competing vendors. The kickbacks, which took the form of cash, tickets to sporting events, gift cards, and other things of value, prompted the award of \$3.5 million in business to the former contractor's company. Through the plea agreement, the employee agreed to pay restitution not to exceed \$250,000 and to be incarcerated for up to 10 years and serve 3 years of supervised probation. Sentencing is scheduled for June 26, 2013. (I09RL001 (b)(6),(b)(7)(C))

2. Former Contractor Debarred

On March 15, 2013, in response to an Investigative Report to Management (IRM), the Office of Procurement and Assistance Management notified the OIG that a former subcontractor was debarred from doing business with the Federal Government for a period of 3 years. As previously reported, the former contractor was indicted and pled guilty to falsifying per diem eligibility certifications in order to receive \$31,732 in benefits. The subject was sentenced to 5 years probation, 6 months home confinement, a fine of \$2,000, and ordered to pay \$31,732 in restitution. (I11SR026 (b)(6),(b)(7)(C))

3. IRM Issued to the Director, National Energy Technology Laboratory (NETL)

On March 20, 2013, an IRM was issued to the NETL Director making four recommendations for corrective action. The OIG investigation determined that the annual Science Bowl competition, an educational outreach activity sponsored by NETL, lacked adequate management, oversight, and accounting controls. (I13PT001: (b)(6).(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	247
Cases Opened This Week	1
Cases Closed This Week	5
Total Open Cases for this Ending Date	244
Cases in Hold Status	1
Cases Pending Closure/Action	7
TCS Fraud Case Support	11

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	120
Hotline Complaints Predicated	16
Referral Letters Issued	13
Positive Outcomes (Detailed Below)	2

Positive Outcome Details

- The National Nuclear Security Administration (NNSA) responded to an OIG Hotline referral confirming five allegations of questionable management practices at NNSA's Pantex facility in Amarillo, Texas, ranging from restatement of policy, policy change, and training. In addition, the M&O contractor developed a Safety Culture Plan with the objective of positively reinforcing safety behaviors that are consistent with the Institute of Nuclear Power Operators Principles for a Strong Nuclear Safety Culture. (I12RS024: (b)(6).(b)(7)(C))
- In response to an OIG referral, the Richland Operations Office (Operations Office) conducted a self-assessment of the site's Substance Abuse/Random Drug Testing Program. Although the inquiry into the allegations revealed that the Operations Office and the Office of River Protection were in compliance with the major requirements of the Drug Free Federal Workplace Testing Program, they identified the need for policy improvements. (I12RS085: (b)(6).(b)(7)(C))

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB March 21, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	9	0	0	9
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	7

RECOVERY ACT EFFORTS

The Office of Investigations completed one Recovery Act-related fraud awareness briefing over the past week, as follows:

- On March 18, 2013, (b)(6), (b)(7)(C) provided a briefing to 55 Federal employees and contractors at the Thomas Jefferson Site Office/ Thomas Jefferson National Accelerator Facility in Newport News, Virginia.

OTHER MATTERS

- On March 20, 2013, (b)(6), (b)(7)(C) met with senior management of the Department's Office of Intelligence and Counterintelligence to discuss collaborative cyber-security efforts, the OIG's mission, and the level of cooperation needed to successfully address future cyber threats.
- Agents are reminded to record both suspension and debarment actions in EIGPT. Agents may visit the System for Award Management website at <https://www.sam.gov/portal/public/SAM/>, to determine if there has been activity in a pending suspension/debarment matter.
- Agents are also reminded that any significant activity occurring during the current semi-annual reporting period, but not entered into EIGPT by March 18, 2013, should be recorded as April 1, 2013. A note explaining the difference between the actual date and the recorded date should be made in the Executive Brief.

JOYS, CARES, CONCERNS

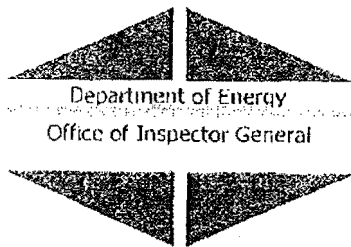
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Performance Plan Progress Reviews for all OI personnel must be recorded in ePerformance by March 31, 2013.

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WEEKLY ACTIVITY REPORT

Ending March 29, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Hanford Site (Hanford) Employee Pleads Guilty and Investigative Report to Management (IRM) Issued to Office of Procurement and Assistance Management (OPAM)

On March 19, 2013, a one-count Criminal Information was filed in the U.S. District Court for the Eastern District of Washington charging a current Hanford contractor employee with conspiracy to violate the Anti-Kickback Act. On the same day, the employee pled guilty to the charge, and sentencing was scheduled for October 24, 2013. Additionally, on March 22, 2013, an IRM was issued to the Director of OPAM recommending suspension and debarment actions against the employee. As previously reported, the investigation determined extensive timecard fraud by Hanford contractor employees and their management. (108RL007: (b)(6),(b)(7)(C))

2. Ten Hanford Employees Indicted and IRM Issued to OPAM

On March 20, 2013, a Federal Grand Jury in the Eastern District of Washington indicted 10 current and former managers of a Hanford contractor for 34 counts of various felony violations relating to timecard fraud. On the same day, an IRM was issued to the Director of OPAM recommending suspension actions against the 10 indicted managers. As previously reported, the investigation determined extensive timecard fraud by Hanford contractor employees and their management. (108RL007: (b)(6),(b)(7)(C))

3. Two IRMs Issued to OPAM

On March 22, 2013, two IRMs were issued to the Director of OPAM recommending suspension and debarment actions against two Hanford vendors. The investigation determined that on multiple occasions between 2005 and 2008, the vendors provided kickbacks to at least 14 Fluor material coordinators in exchange for more than \$3.5 million in business. As previously reported, the vendors pled guilty to one count of misprision of a felony and one count of violating the Anti-Kickback Act, respectively. (109RL001: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	244
Cases Opened This Week	2
Cases Closed This Week	0
Total Open Cases for this Ending Date	246
Cases in Hold Status	1
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	152
Hotline Complaints Predicated	3
Referral Letters Issued	13
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- As a result of an OIG referral, the National Nuclear Security Administration (NNSA) conducted a classification review of documents that were being offered in an estate sale in Oak Ridge, Tennessee. Although the Oak Ridge National Laboratory previously conducted a technical review of the documents before the documents were offered for sale, the classification review identified additional documents that were potentially sensitive. NNSA retrieved the potentially sensitive documents and allowed the non-sensitive documents to remain in the estate sale.

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB March 28, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
1	9	0	0	10
Completed	Opened	Withdrawn	Closed	Closed This CY
0	1	0	0	7

RECOVERY ACT EFFORTS

The Office of Investigations completed three Recovery Act-related fraud awareness briefing over the past week, as follows:

- Region 1 - On March 26, 2013, (b)(6), (b)(7)(C) along with the Offices of Audits and (b)(6), (b)(7)(C)

Inspections, provided a briefing to 40 members of the Office of Electricity Delivery and Energy Reliability at Headquarters in Washington, DC.

- Region 3 - On March 26, 2013, (b)(6), (b)(7)(C) provided a briefing to 50 newly hired employees as part of their ethics training at the Y-12 National Security Complex, Oak Ridge, TN.
- Region 4 – On March 22, 2013, (b)(6), (b)(7)(C) provided a fraud awareness briefing to the members of the Northern New Mexico Chapter of the Information Systems Security Association, a public and private consortium of cyber security officials.

OTHER MATTERS

- Agents are reminded that blind copies of IRMs and management responses should be sent to Headquarters, ATTN: P3 (b)(6), (b)(7)(C) See Chapter 12 of the Investigative Manual for details.

JOYS, CARES, CONCERNS

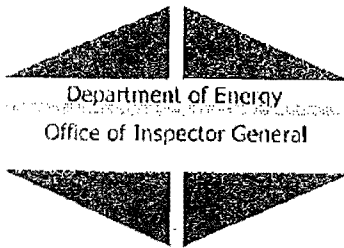
- Please join us in wishing (b)(6), (b)(7)(C) well as [] begins [] new position (b)(6), (b)(7)(C) with the Department of Veterans Affairs, OIG. [] will be missed. (b)(6), (b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- OI personnel are reminded of the liability insurance reimbursement cap of \$150 that went into effect December 2012.
- When submitting training requests in CHRIS, please include tuition and travel cost estimates in the appropriate fields. If none, please state that in the remarks section.
- The current Unique Federal Agency Number (UFAN) expires on Sunday, March 31, 2013, at 11:59 pm. If you have not yet received the new UFAN, please contact your firearms instructor, SAC, or the P3 Director.

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WEEKLY ACTIVITY REPORT

Ending April 5, 2013

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SIGNIFICANT ACTIVITY

1. Guilty Plea in Weatherization Fraud and Bribery Investigation

On March 28, 2013, the Superior Court of California for the County of Los Angeles accepted a plea agreement from a former California non-profit agency fiscal officer for 117 counts of corporate fraud and 75 counts of submitting false claims on weatherization contract work. As previously reported, the investigation determined the fiscal officer and a former president of the non-profit agency solicited and accepted bribes from a subcontractor totaling approximately \$1.2 million. They also submitted inflated claims to the State of California, resulting in overbilling to the Department and U.S. Department of Health and Human Services weatherization programs by approximately \$440,000. This matter did not involve Recovery Act funds and is being investigated jointly with the (b)(7)(A) [REDACTED] Sentencing is scheduled for September 30, 2013. (I10LL005: (b)(6),(b)(7)(C) [REDACTED])

2. Settlement Reached with Hanford Site Contractor

On April 3, 2013, the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern District of Washington reached a settlement agreement with Fluor Hanford, Inc. and its parent company, Fluor Corporation. The settlement consists of Fluor agreeing to pay \$1.1 million to settle allegations originating from a qui tam action charging that Fluor violated the False Claims Act by using Federal funds for lobbying. The investigation found that Fluor used Department funds to lobby Congress and other Federal officials to increase funding for the Hazardous Materials Management and Emergency Response (HAMMER) facility, in violation of the Byrd Amendment, which prohibits the use of Federal funds for lobbying.

(I11RL008: P (b)(6),(b)(7)(C) [REDACTED])

3. Former Department Manager Sentenced

On March 28, 2013, a former Department manager was sentenced in U.S. District Court in the District of Idaho following an earlier guilty plea to one count of theft of government funds. The former Department manager was sentenced to 1 year probation, ordered to pay fines and restitution, and must perform 100 hours of community service. As previously reported, the investigation determined that the former manager falsified a travel voucher and altered hotel receipts to facilitate his scheme to defraud the Department. (111F005: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	246
Cases Opened This Week	2
Cases Closed This Week	4
Total Open Cases for this Ending Date	244
Cases in Hold Status	1
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	124
Hotline Complaints Predicated	6
Referral Letters Issued	7
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB April 4, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	10	0	0	10
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	7

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are reminded that all fraud awareness briefings should contain information on the Recovery Act and need to be coded as Recovery Act in EIGPT in the Investigative Briefings and Liaisons (IBL) tab.

JOYS, CARES, CONCERNS

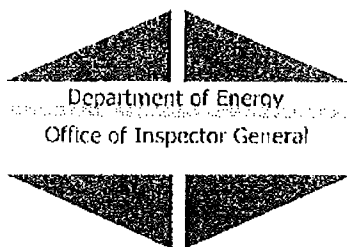
- Congratulations to (b)(6).(b)(7)(C) and (b)(6) on the birth of their first child. (b)(6)
(b)(6)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- OI personnel are encouraged to provide feedback on training courses attended. Good training is important to share so others can attend, and poor training is important to avoid from a cost and time savings perspective.

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WEEKLY ACTIVITY REPORT

Ending April 12, 2013

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SIGNIFICANT ACTIVITY

- Investigative Report to Management (IRM) Issued to the Office of Procurement and Assistance Management (OPAM) in Weatherization Assistance Program Case

On April 4, 2013, an IRM was issued to the Director of OPAM recommending suspension and debarment actions against a Weatherization Assistance Program (WAP) sub-grantee. The investigation determined that the WAP sub-grantee misappropriated \$551,712 in American Recovery and Reinvestment Act, WAP funds for use on unrelated operational expenses. Prosecution was declined because the funds were not used for the personal enrichment of the sub-grantee's staff.

(I11HQ021: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	244
Cases Opened This Week	1
Cases Closed This Week	2
Total Open Cases for this Ending Date	243
Cases in Hold Status	1
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	120
Hotline Complaints Predicated	10
Referral Letters Issued	5
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB April 11, 2013

With POFC	With MA POFC	In OIG	For Signature	Total Open
0	8	2	0	10
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	7

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are reminded that in cases where there is court ordered restitution back to the Department, this needs to be claimed in EIGPT under both the MRD (Monetary Restitution to DOE) and MCR (Monetary Court Ordered Restitution) action codes. If you have any questions regarding this, please contact your Assistant Special Agent-in-Charge (ASAC).

JOYS, CARES, CONCERNS

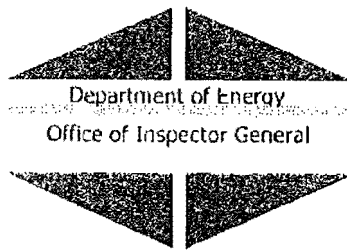
- Congratulations to Hotline (b)(6),(b)(7)(C) and (b)(6) on the birth of their first child (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) Mommy and baby are doing fine (just a little sleep deprived).

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All OI personnel are encouraged to read new policies regarding local travel vouchers on IGComm, under Management and Administration Policy. In summary, local vouchers should be submitted on a quarterly basis and should include an \$8 processing fee for the voucher itself.
- OI personnel assigned to the Forrestal Building are encouraged to read the new policy regarding Capital Region Call Tree. It requires you to provide current emergency contact information for yourself and to respond immediately to supervisory inquiries regarding location and status when the Call Tree is activated.

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WEEKLY ACTIVITY REPORT

Ending April 19, 2013

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SIGNIFICANT ACTIVITY

1. Guilty Plea in Access Device Fraud Investigation

On April 10, 2013, a former Department subcontractor employee pled guilty to 10 counts of fraud and conspiracy in U.S. District Court, Albuquerque, New Mexico. As previously reported, this joint investigation with the U.S. Secret Service determined the subcontractor employee provided another individual, not affiliated with the Department, with thousands of serial numbers for Department-owned computers from multiple National laboratories. The second individual used the serial numbers to fraudulently obtain computer parts valued at approximately \$1.6 million through manufacturer warranty replacements that were later used and sold for personal gain. (I10AL012 (b)(6),(b)(7)(C))

2. Investigative Report to Management (IRM) Issued in Theft Investigation

On April 15, 2013, an IRM was issued to the Department's Office of Procurement and Assistance Management recommending suspension and debarment action against two former subcontractor employees at the Idaho National Laboratory (INL). As previously reported, the two individuals pled guilty to one count each of grand theft of Department-owned tools and property from the INL and were sentenced in the Butte County District Court in Arco, Idaho, to 14 days incarceration and 3 years probation and ordered to pay fines. Department management considered the IRM, but decided to take no further action. (I12IF005: (b)(6),(b)(7)(C))

3. Former Savannah River Site (SRS) Subcontractor Employee Debarred

On April 18, 2013, in response to an IRM, the Department's Office of Procurement and Assistance Management debarred a former SRS subcontractor employee for 3 years. As previously reported, the former subcontractor employee entered into a settlement agreement to resolve allegations of Civil False Claims Act violations relating to his submission of false per diem claims. Pursuant to the agreement, the subcontractor will repay \$58,000 to the Department. (I11SR013 (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	243
Cases Opened This Week	2
Cases Closed This Week	1
Total Open Cases for this Ending Date	244
Cases in Hold Status	1
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	107
Hotline Complaints Predicated	6
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB April 18, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	9	2	0	11
Completed	Opened	Withdrawn	Closed	Closed This CY
0	1	0	0	7

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are reminded that they must qualify with their personally owned firearm that has been approved for official duty on a quarterly basis. Agents are required to qualify with the OIG-issued firearm at least once every 365 days. See OI Manual, Chapter 4, Section V, Sub-section C (3c), for more information.

JOYS, CARES, CONCERNS

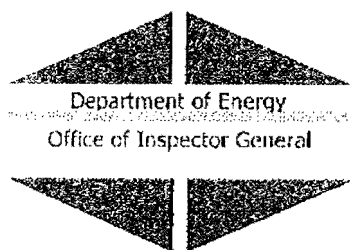
- Congratulations to (b)(6),(b)(7)(C) on the birth of her first grandchild (b)(6),(b)(7)(C).
(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) Grandma is helping mommy and baby, who are doing fine (just a little sleep deprived).

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- A clarification on Local Vouchers – The \$8 processing fee mentioned in the previous Weekly is automatically added to the voucher. Please do not add this fee manually.
- OI personnel are reminded to provide tuition and travel expense estimates on CHRIS training requests. Tuition costs will be included with Reporting Instructions or Registration information forwarded from P3.

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Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending April 26, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Savannah River Site (SRS) Contractor Employee Debarred

On April 18, 2013, in response to an Investigative Report to Management (IRM), the Department's Office of Procurement and Assistance Management debarred a former SRS contractor employee for 3 years. As previously reported, the former contractor employee participated in a scheme involving the creation of a fake lease agreement and the processing of numerous checks through [redacted] personal bank account in an effort to demonstrate that [redacted] a subcontractor employee at SRS, incurred local lodging costs and was eligible for per diem. As a result of [redacted] participation in the scheme, the contractor's employment was terminated. (111SR013, [redacted]) (b)(6), (b)(7)(C)

2. National Energy Technology Laboratory (NETL) Takes Action in Response to IRM

On April 19, 2013, NETL responded to an IRM regarding management of the annual Science Bowl sponsored by NETL. As a result of the IRM, NETL is implementing new management controls to provide better oversight of the administration of educational activities. Additionally, NETL is providing training to employees who support educational activities such as the Science Bowl. As previously reported, the investigation identified weak internal controls relating to NETL employees' management of funds procured to support the Science Bowl. (113PT001, [redacted]) (b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	244
Cases Opened This Week	0
Cases Closed This Week	1
Total Open Cases for this Ending Date	243
Cases in Hold Status	1
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	123
Hotline Complaints Predicated	4
Referral Letters Issued	10
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB April 25, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	10	0	0	10
Completed	Opened	Withdrawn	Closed	Closed This CY
1	0	0	0	8

RECOVERY ACT EFFORTS

- On April 17-18, 2013, (b)(6),(b)(7)(C) provided briefings to Department, contractor, and subcontractor employees at the Paducah Gaseous Diffusion Plant. A combined total of 50 individuals attended, including representatives from Paducah's Site Office, LATA Environmental Services of Kentucky, and Swift and Staley, whose responsibilities include management, procurement, site security, and cyber security.
- On April 22, 2013, (b)(6),(b)(7)(C) provided a briefing to contractor employees at the Pacific Northwest Site Office. A combined total of more than 80 individuals attended, including representatives from the Pacific Northwest National Laboratory, whose responsibilities include management, procurement, internal audits, business management, and cyber security.

OTHER MATTERS

- Agents are reminded that when obtaining a consent to search, the agent needs to use the General Consent to Search Form for non computer/electronic-based searches and the Consent to Search Computer/Electronic Equipment Form for all computer and electronic-based searches (See General Consent to Search Form – Chapter 4, Exhibit Z or Consent to Search Computer/Electronic Equipment Form – Chapter 4, Exhibit AA).

- On April 21, 2013, (b)(6),(b)(7)(C) participated in a National Missing Children's Day event with the Federal Law Enforcement Officers Association. (b)(6),(b)(7)(C) assisted with making emergency child safety and identification kits for approximately 130 families.

JOYS, CARES, CONCERNS

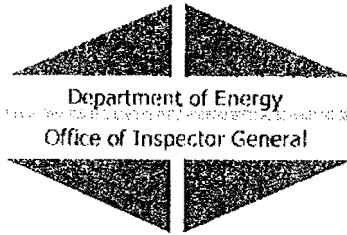
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending May 3, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Guilty Plea in Embezzlement of Recovery Act Funds

On April 30, 2013, the former Finance Director for Louisiana Association of Community Action Partners (LACAP), Inc., Baton Rouge, Louisiana, pled guilty in the Middle District of Louisiana to embezzling \$50,858 in Recovery Act funds. As previously reported, the Department and the Department of Health and Human Services paid LACAP to provide weatherization and software training. The investigation determined that from September 2011 through November 2011, the former Finance Director used her position to embezzle funds from these programs for personal use. (I12CH004 (b)(6),(b)(7)(C))

2. Former Contractor Debarred

On April 26, 2013, in response to an Investigative Report to Management (IRM), the Office of Procurement and Assistance Management notified the OIG of the debarment of a former subcontractor for a period of 3 years. As previously reported, this individual was indicted for receiving over \$36,000 in fraudulent per diem benefits, based on falsified hotel receipts. The former subcontractor pled guilty and was sentenced to 5 years of probation and ordered to make restitution to the Department. (I11SR017 (b)(6),(b)(7)(C))

3. State Grantee Implements Controls in Response to IRM

On April 29, 2013, The Office of Energy Efficiency and Renewable Energy responded to an IRM, concurring with the OIG's concerns about a State of Michigan sub-grantee's procedures for determining Weatherization Assistance Program (WAP) eligibility. The sub-grantee has since implemented a statewide web-based system for WAP application and eligibility processing, improved their monthly billing review process, and incorporated trend analysis into their technical monitoring to improve administration of Department grant funds. As previously reported, the investigation found that the sub-grantee failed to properly determine eligibility requirements for some WAP applications. (I12PT004 (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	243
Cases Opened This Week	4
Cases Closed This Week	3
Total Open Cases for this Ending Date	244
Cases in Hold Status	0
Cases Pending Closure/Action	8
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	97
Hotline Complaints Predicated	5
Referral Letters Issued	4
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB May 2, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	9	0	0	9
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	8

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- OI personnel are reminded to review OI Manual Chapter 5.H.4.c and d for definitions of Pending and Hold statuses. In summary, Pending status is to be used when investigative activity is not required or necessary within 30 days or beyond, and Hold status may only be used on a limited basis when the Assistant Special Agent-in-Charge determines that available resources do not permit the dedication of a reasonable amount of time and effort to a particular routine case. These statuses are not synonymous, and errors have recently been discovered in a number of instances.

JOYS, CARES, CONCERNS

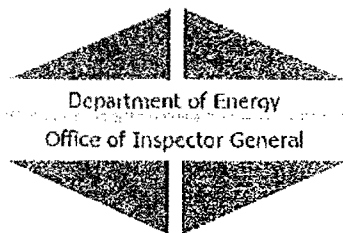
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel identified by a Special Agent-in-Charge (SAC) as requiring FinCEN access should have been contacted by P3 and FinCEN. If you believe you were erroneously left off this list, please contact your SAC or Dustin Wright.

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WEEKLY ACTIVITY REPORT

Ending May 9, 2014

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for use by Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Allegations Summary in the iPRISM system.

SIGNIFICANT ACTIVITY

1. Federal Grand Jury Indicts Former Contractor Employee In Per Diem Fraud Investigation

On May 6, 2014, a Federal Grand Jury in the District of South Carolina indicted a former contractor employee on one count of Theft of Government Funds and two counts of False Statements. As previously reported, the investigation determined the former contractor employee fraudulently received over \$29,000 in per diem benefits by falsifying per diem eligibility certifications. (12-0106-I: (b)(6);(b)(7)(C))

2. Action Taken In Response to an Investigative Report to Management In Computer Misuse Investigation

On May 2, 2014, the Acting Director of the National Energy Technology Laboratory (NETL) issued a response to an Investigative Report to Management (IRM), which made two recommendations for corrective action related to the misuse of a Government computer and email account by an employee. The Acting Director complied with both recommendations and proposed a one-day suspension without pay and additional ethics training for the employee. As previously reported, a review of the NETL employee's email account during an unrelated investigation revealed that they used their Government computer and email account while on duty to send and receive emails related to paid outside employment. (13-0096-I: (b)(6);(b)(7)(C))

3. Investigative Report to Management Issued In False Claims Investigation

On May 5, 2014, an IRM was issued to the Manager of the Los Alamos Field Office (LAFO). The IRM highlighted a specific example of double billing of lodging expenses to the Government and called attention to potentially broader issues of inadequate oversight and noncompliance with Government regulations by Los Alamos National Security (LANS). The investigation determined LANS double billed the Government for lodging expenses for (b)(6);(b)(7)(C) who both separately submitted the same lease agreement to obtain full individual reimbursements for lodging expenses at their shared residence. The IRM made five recommendations, to include determining whether LAFO should initiate action to recover \$28,650 in

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unallowable lodging expenses from LANS; require LANS to modify internal policies to appropriately administer requests for duplicate expenses; require all LANS and subcontract employees to notify LANS when lodging and relocation arrangements are shared among employees receiving Government funds; and ensure LANS policies are in compliance with appropriate Government travel and relocation regulations. (09-0014-1; (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	213
Cases Opened This Week	0
Cases Closed This Week	0
Total Open Cases for this Ending Date	213
Cases in Hold Status	0
Cases Pending Closure/Action	0
TCS Case Support	9

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	24
Hotline Complaints Predicated	8
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

BRIEFINGS AND RECOVERY ACT EFFORTS

- On 7 May, 2014, (b)(6), (b)(7)(C) conducted a Fraud Awareness Briefing for 30 senior managers of the Federal Energy Regulatory Commission in Washington, DC. (b)(6), (b)(7)(C) discussed program fraud indicators, ethical issues, and the OIG complaint and referral process.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

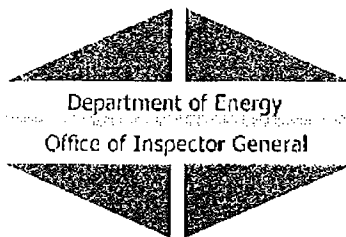
- None

INVESTIGATIVE SUPPORT UPDATES

- All personnel must complete the 2014 DOE Harassment Prevention Training Course no later than **May 19, 2014**. To access the course, logon to OLC and search for "2014 DOE Harassment Prevention."
- All personnel are encouraged to utilize Sector Communication Services during our pilot program, which runs through August 15, 2014. In order to adequately evaluate whether to continue utilizing Sector, we will need your feedback. All requests must be submitted through one of the following Authorized Users (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)
- The Second Progress Review for FY14 must be finalized in ePerformance by June 30, 2014.

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WEEKLY ACTIVITY REPORT

Ending May 17, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued in Misuse of Position Case

On May 13, 2013, an IRM was issued to the Chief Health, Safety, and Security Officer, on an investigation that determined a Department manager assisted in the hiring of a close personal friend as a Department contractor employee. The IRM recommended that management determine if administrative action is warranted.

(113HQ008: (b)(6), (b)(7)(C))

2. Search Warrants Executed in False Claims Investigation

(b)(7)(A)

(b)(7)(A)

(113AL007: (b)(6), (b)(7)(C))

3. IRM Issued in Travel & Time Fraud Investigation

On May 10, 2013, an IRM was issued to the Assistant Deputy Administrator, Office of Secure Transportation (OST), recommending administrative and security clearance action against a current OST employee. The joint investigation with the Nuclear Regulatory Commission OIG determined the employee submitted multiple fraudulent travel vouchers totaling approximately \$17,000 and fraudulent time and attendance documents totaling \$62,000 for work not performed. This case is being coordinated

(b)(7)(A)

(112AL009: (b)(6), (b)(7)(C))

4. Sentencing in Western Area Power Administration (WAPA) Theft

On May 06, 2013, an individual with no Department affiliation was sentenced in U.S. District Court in the District of Colorado following an earlier guilty plea to theft of Government property and destruction of an energy facility. The individual was sentenced to 36 months incarceration, 3 years of supervised release, and ordered to pay WAPA approximately \$19,722 in restitution. As previously reported, the investigation determined the individual burglarized a WAPA electrical substation in Sterling, Colorado, and stole several items, including a vehicle. The OIG recovered most of the property, valued at approximately \$100,000. This is a joint investigation with the (b)(7)(A)

(112DN005: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	239
Cases Opened This Week	4
Cases Closed This Week	2
Total Open Cases for this Ending Date	241
Cases in Hold Status	0
Cases Pending Closure/Action	8
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	108
Hotline Complaints Predicated	2
Referral Letters Issued	1
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB May 16, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This CY
0	2	0	0	8

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

When a point of contact is provided in an Investigative Report to Management, it should be the person identified as the issuing official, usually an ASAC or SAC.

JOYS, CARES, CONCERNS

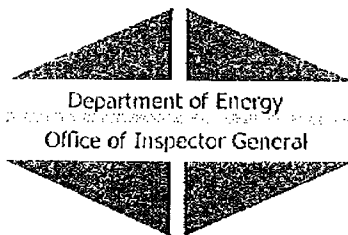
We send our best wishes to (b)(6), (b)(7)(C) (TCS) as they depart on Monday for the Criminal Investigator Training Program at the Federal Law Enforcement Training Center in Glynco, GA. Graduation is scheduled for August 8.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Due to budget constraints and existing OI policy limiting rental cars to those situations "when other methods of transportation would not be advantageous to the Government" (Chapter 15, Section 6), effective June 1, 2013, rental cars will not be authorized for FLETC/Glynco attendance. FLETC provides free bus transportation from the Brunswick and Jacksonville airports, which is a method of transportation more advantageous to the Government. Information on coordinating FLETC ground transportation is available on the FLETC website.
- When conducting official travel in a vehicle, a government owned vehicle (GOV) should be used when available. Approving officials may, based upon needs and circumstances, authorize use of a privately owned vehicle (POV). The correct mileage rate to use in this situation, under most circumstances, is the lower rate for POV usage when a GOV is available. This rate can be found on the GSA website.
- All NCIC-related issues, to include training and loss of service, should be directed to (b)(6), (b)(7)(C) is currently our agency NCIC coordinator and the only person authorized to contact NCIC on our behalf.
- The OIG has joined the social network revolution. You can now follow us on Twitter by searching for EnergyOIG. (b)(6) has offered to provide assistance in setting up your own Twitter account if you don't already have one.
- The Department-mandated training cycle starts in May with the first online course: 2013 Annual Cyber Security Awareness Training. Please be aware of future DOECASTs, which will provide information regarding the deadline for training completion.

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WEEKLY ACTIVITY REPORT

Ending May 31, 2013

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued in Theft Investigation

On May 30, 2013, an IRM was issued to the Deputy Director of the Office of Acquisition and Project Management recommending suspension and debarment action against a former Department contractor employee. The investigation determined the individual received stolen trailers and power tools from the Department's Paducah site. He later pled guilty to a felony in the Ballard County Circuit Court, Commonwealth of Kentucky. (I13OR001; (b)(6),(b)(7)(C))

2. Former Recovery Act Contractor Debarred

On May 29, 2013, the Deputy Director of the Office of Acquisition and Project Management debarred the owner of a weatherization contracting company for 3 years. The company was contracted by the State of Kansas to provide weatherization services under the Recovery Act. As previously reported, the owner entered into a pretrial diversion agreement for submitting falsified payroll reports. This was a joint investigation with the (b)(7)(A) (I11DN002; (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	241
Cases Opened This Week	2
Cases Closed This Week	0
Total Open Cases for this Ending Date	243
Cases in Hold Status	0
Cases Pending Closure/Action	8
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	128
Hotline Complaints Predicated	10
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB May 30, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
1	8	0	0	9
Completed	Opened	Withdrawn	Closed	Closed This CY
2	1	0	2	11

RECOVERY ACT EFFORTS

- On May 28, 2013, (b)(6), (b)(7)(C) provided a Fraud Awareness Briefing to 50 senior Department managers at the Savannah River Site. The briefing emphasized the role of the OIG in investigating fraud related matters concerning the Recovery Act.

OTHER MATTERS

- Agents are reminded of their responsibility, per OI Manual Chapter 4, Section VII, Subsection A.5, to ensure the adequate safety and storage of firearms and ammunition. Acceptable storage devices/locations include a locked firearms carrying/storage case or locked hard side briefcase stored in the locked trunk of a locked sedan or concealed compartments within locked vehicles that don't have a trunk.

JOYS, CARES, CONCERNS

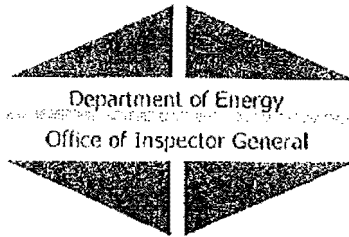
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The Conference Attendance Request Form, required for non-FLETC/non-DOE classroom training as well as conferences on IGComm has been revised. When completed, it should be sent to (b)(6), (b)(7)(C) who will forward it to Management and Administration for Departmental processing. Don't hesitate to contact P3 if you have questions regarding whether a form is needed or how to complete the form.

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WEEKLY ACTIVITY REPORT

Ending June 7, 2013

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SIGNIFICANT ACTIVITY

1. Arrest Made in Multi-Agency Computer Conversion/Resale Investigation

On June 4, 2013, an individual with no Department affiliation was arrested pursuant to a Federal arrest warrant. This joint investigation uncovered 13 allegedly fraudulent non-profit entities established by the individual to obtain free computers and related equipment that the Government donates through General Services Administration's "Computers for Learning Program." After receiving the items, the individual sold them for profit on eBay and other online sites. During the last 5 years, the fraudulent entities received computers and related equipment with original acquisition values exceeding \$25 million, including \$7.5 million from 9 Department sites. (I12RL009; (b)(6),(b)(7)(C))

(b)(6),(b)(7)(C)

2. Former Western Area Power Administration (WAPA) Employee Pleads Guilty to Mail Fraud

On June 3, 2013, a former WAPA employee pled guilty to five counts of mail fraud in the U.S. District Court for the District of Montana. As previously reported, the OIG investigation determined that from 2001 to 2012, the individual defrauded the U.S. Department of Labor's (DOL) Office of Workers Compensation Program by not reporting his self-employment income, resulting in long-term (b)(7)(A) overpayments of approximately \$275,000. This was a joint investigation with (b)(6),(b)(7)(C) Sentencing has been scheduled for September 26, 2013. (I08DN003; (b)(6),(b)(7)(C))

3. Investigative Report to Management (IRM) Issued In Theft Investigation

On June 4, 2013, an IRM was issued to the Deputy Director of the Office of Acquisition and Project Management recommending suspension and debarment action against a former Department contractor employee. The investigation determined the individual possessed items that had been stolen from the Department's Paducah site. The items included a trailer, a large welder, and various hand and power tools valued at \$11,678. He later pled guilty to a felony in the McCracken County Circuit Court, Commonwealth of Kentucky. (I13OR001; (b)(6),(b)(7)(C))

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JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The second Progress Review for this appraisal period is required to be completed within ePerformance no later than June 28, 2013.
- Annual Cybersecurity Awareness training is mandatory and must be completed via the Department's Online Learning Center by June 21, 2013. E-mail your Certificate of Completion to (b)(6).(b)(7)(C) in order to receive credit.
- Management and Administration has requested we change our CHRIS approval routing. Please modify your profile to reflect the following:

Step 1: Immediate Supervisor

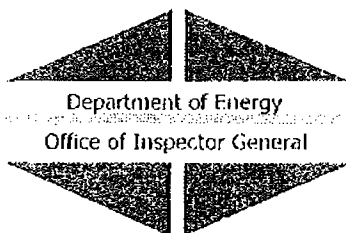
Step 2: (b)(6).(b)(7)(C)

Step 3:

Step 5 (not an error, we are skipping Step 4) (b)(6).(b)(7)(C)

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WEEKLY ACTIVITY REPORT

Ending June 14, 2013

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SIGNIFICANT ACTIVITY

1. Search Warrant Executed in Environmental Safety Investigation

(b)(7)(A)	
(b)(7)(A)	I13OR005: (b)(6), (b)(7)(C)

2. Guilty Plea in Weatherization Fraud and Bribery Investigation

On June 12, 2013, the Superior Court of California for the County of Los Angeles accepted a plea agreement from a former California non-profit agency manager for 2 counts of submitting false claims on weatherization contract work. As previously reported, the investigation determined the fiscal officer, weatherization manager, and former president of the non-profit agency solicited and accepted bribes from a subcontractor totaling approximately \$1.2 million. Additionally, they submitted inflated claims to the State of California, resulting in overbilling to the Department and the U.S. Department of Health and Human Services weatherization programs by approximately \$440,000. This case is being investigated jointly with the (b)(7)(A)

(b)(7)(A)
(110LL005: (b)(6), (b)(7)(C))

Sentencing is scheduled for July 24, 2013.

3. Guilty Plea and Sentencing in Per Diem Investigation

On June 6, 2013, in U.S. District Court in the District of South Carolina, a former contractor employee pled guilty to one count of theft of Government funds in connection with fraudulently receiving per diem benefits while working at the Savannah River Site. On the same day, the former contractor employee was sentenced to 5 years of probation and ordered to pay \$69,822.45 in restitution. As previously reported, a Federal Grand Jury indicted the former contractor employee for fraudulently receiving per diem benefits based on falsified leases and supporting documentation. (111SR026 (b)(6), (b)(7)(C))

4. Former Subcontractor Employee Debarred

On June 3, 2013, in response to an Investigative Report to Management (IRM), the Acting Director of the Office of Acquisition Management, National Nuclear Security Administration, debarred a former subcontractor employee at the Y-12 National Security Complex (Y-12) for 3 years. As previously reported, the former subcontractor employee pled guilty to one count of theft and was sentenced to 30 months probation and ordered to pay restitution and fines. The investigation determined the employee stole approximately 1,400 pounds of copper wire from the Y-12 site and sold it at a local scrap yard on 15 separate occasions. (I10OR011: (b)(6),(b)(7)(C))

5. IRM Issued in American Recovery and Reinvestment Act False Claims Investigation (ARRA)

On June 5, 2013, an IRM was issued to the Office of Acquisition and Project Management recommending that the Department consider debarment action against a Department subcontractor. The investigation determined that the subcontractor converted ARRA incentive rebate monies, designated for the purchasers of energy efficient thermal heating systems, for personal use. This case is being coordinated (b)(7)(A)

(I12HQ014: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	241
Cases Opened This Week	2
Cases Closed This Week	2
Total Open Cases for this Ending Date	241
Cases in Hold Status	0
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	108
Hotline Complaints Predicated	15
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- In response to an OIG referral, the District of Columbia Office of Inspector General conducted an investigation that confirmed allegations that a District resident fraudulently received over \$8,000 in weatherization benefits. The matter was submitted to the Attorney General for the District

of Columbia for civil recoupment. The Inspector General sent a letter of appreciation to the Deputy Inspector General for Investigations expressing gratitude for the referral. (I12RR084: (b)(6),(b)(7)(C))

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB June 13, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
1	10	0	0	11
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- On June 12, 2013 (b)(6),(b)(7)(C) provided a fraud awareness briefing to 20 contractor and management employees at the Lawrence Livermore National Laboratory Budget Office.

OTHER MATTERS

- In February 2013, Management and Administration (MA) issued guidance on "Association and Organization-Sponsored Conferences" (see IGCOMM for details). In accordance with Section 4.e, for the foreseeable future, MA will not be approving attendance at conferences that do not involve maintenance of a job-related certification (e.g., CFE, CPA) or the meeting of professional requirements (e.g., audit standards, Attorney General Guidelines, etc.). This action is based on the current budget situation (sequestration) coupled with increased Congressional scrutiny of costs associated with conferences. This restriction does not apply to local conferences with minimal to no cost.

JOYS, CARES, CONCERNS

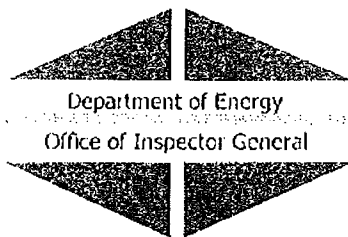
- Region 1 Investigations welcomes (b)(6),(b)(7)(C) who will be joining their staff from the Hotline and Analysis Section, effective June 16, 2013.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Annual Cybersecurity Awareness training is mandatory and must be completed via the Department's Online Learning Center by next Friday, June 21, 2013. E-mail your Certificate of Completion to (b)(6),(b)(7)(C) in order to receive credit.

DISTRIBUTION

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WEEKLY ACTIVITY REPORT

Ending June 21, 2013

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SIGNIFICANT ACTIVITY

1. Recovery of Funds from ARRA Sub-grantee

(b)(7)(A)

(113SR008)(b)(6),(b)(7)(C)

2. Former University of Kentucky Professor Indicted

On June 18, 2013, a former University of Kentucky Professor was indicted by a Federal grand jury in the District of South Carolina on one count of theft of Government property. The investigation determined the professor cannibalized, destroyed, and failed to return certain Government-owned scientific equipment, books, and supplies valued at approximately \$506,657.62. The OIG has recovered all of the known missing equipment. This is a joint investigation with the (b)(7)(A)

(b)(7)(A)

(111SR008)(b)(6),(b)(7)(C)

3. Former Subcontractor Debarred

On June 12, 2013, in response to an Investigative Report to Management, the Office of Acquisition and Management, National Nuclear Security Administration, notified the OIG of the debarment of a former subcontractor from doing business with the Federal Government for a period of 3 years. As previously reported, a Federal grand jury in the District of South Carolina indicted the individual on one count of Theft of Government Funds and one count of False Statements. The former subcontractor entered into a Pretrial Diversion Agreement and was ordered to make restitution in the amount of \$9,739.50. The investigation determined that the former subcontractor fraudulently received per diem benefits by falsifying per diem invoices. (112SR001)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	241
Cases Opened This Week	1
Cases Closed This Week	4
Total Open Cases for this Ending Date	238
Cases in Hold Status	0
Cases Pending Closure/Action	7
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	131
Hotline Complaints Predicated	7
Referral Letters Issued	5
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB June 20, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
1	10	0	0	11
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- On June 18, 2013, (b)(6),(b)(7)(C) provided two fraud awareness briefings to 21 contractor and management employees at the Los Alamos National Laboratory (LANL).
- On June 19, 2013, (b)(6),(b)(7)(C) provided two fraud awareness briefings to 15 LANL contractor and management employees.

OTHER MATTERS

- Offices are reminded to ensure all fields are properly populated when closing cases in EIGPT. There have been recent instances where the priority and special interest sections have been left blank, and these are needed for filing purposes. In addition, please ensure that all required paperwork noted on the case closure form is sent with the file to Headquarters after closing.

JOYS, CARES, CONCERNS

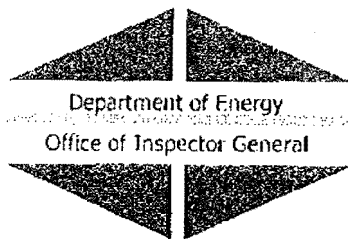
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- A new policy regarding the use of the Financial Crimes Enforcement Network (FinCEN) Portal will be posted to the IGCOMM Intranet in the near future. All agents are encouraged to review the FinCEN policy to ensure compliance.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending June 28, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- **Indictment in Multi-Agency Computer Conversion/Resale Investigation**

On June 26, 2013, an individual with no Department affiliation was indicted by a Federal grand jury in the Western District of Washington for wire fraud, mail fraud, and aggravated identity theft. This joint investigation uncovered 13 allegedly fraudulent non-profit entities established by the individual to obtain free computers and related equipment the Government donates through General Services Administration's "Computers for Learning Program." After receiving the items, the individual sold them for profit on eBay and other online sites. During the last 5 years, the fraudulent entities received computers and related equipment with original acquisition values exceeding \$25 million, including \$7.5 million from 9 Department sites. (112RL009: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	238
Cases Opened This Week	1
Cases Closed This Week	1
Total Open Cases for this Ending Date	238
Cases in Hold Status	0
Cases Pending Closure/Action	7
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	125
Hotline Complaints Predicated	9
Referral Letters Issued	4
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB June 27, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	14	0	0	14
Completed	Opened	Withdrawn	Closed	Closed This CY
0	3	0	0	11

RECOVERY ACT EFFORTS

- On June 25, 2013, (b)(6),(b)(7)(C) provided a briefing to contractor employees at the Department's Oak Ridge National Laboratory. The briefing included an emphasis on OIG-specific reporting requirements concerning suspect/counterfeit items. A total of 42 individuals attended, including representatives whose responsibilities include quality assurance and procurement.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

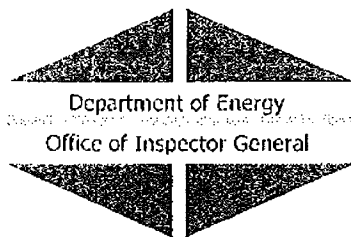
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The Financial Crimes Enforcement Network (FinCEN) policy is currently posted to the IGCOMM Intranet. The policy can be found at <https://igcomm.doe.gov/policy/investigations-manual>.
- The revised Fraud Awareness Briefing is currently posted to the IGCOMM Intranet. The briefing can be found at <https://igcomm.doe.gov/policy/examples>.

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WEEKLY ACTIVITY REPORT

Ending July 12, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Arrest Made in Access Device Fraud Investigation

On July 11, 2013, an individual with no Department affiliation was arrested pursuant to a Federal arrest warrant. The U.S. Marshals Service and the McNairy County Sheriff's Office assisted with the arrest. On July 10, 2013, the individual was indicted on 27 counts of wire fraud and 24 counts of mail fraud in the U.S. District of Colorado. The investigation determined the individual used serial numbers from Department and Defense Department-owned computers to fraudulently obtain computer parts valued at approximately \$291,000 through manufacturer warranty replacements that were later used and sold for personal gain. This is a joint investigation with the (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

(I11AL013;

(b)(6),(b)(7)(C)

2. Former Subcontractor Debarred

On July 8, 2013, in response to an Investigative Report to Management, the Office of Acquisition Management, National Nuclear Security Administration, notified the OIG of the debarment of a former subcontractor employee from doing business with the Federal Government for a period of 3 years. The employee was previously convicted of state charges and sentenced to 5 years of probation for felony grand larceny involving the theft of approximately \$21,000 of Government-owned electronics equipment. (I13MN001 (b)(6),(b)(7)(C)

3. Investigative Report to Management Issued in Recovery Act Investigation

On July 9, 2013, an Investigative Report to Management was issued to the Department debarment official recommending suspension and/or debarment action be considered against a community action agency and two of its officials. The investigation determined that the two officials converted American Reinvestment and Recovery Act grant monies for their personal use. The case is being coordinated with the (b)(7)(A) and a prosecution decision is pending. (I12HQ010; (b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	238
Cases Opened This Week	1
Cases Closed This Week	6
Total Open Cases for this Ending Date	233
Cases In Hold Status	0
Cases Pending Closure/Action	6
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	255
Hotline Complaints Predicated	22
Referral Letters Issued	11
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB July 11, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	15	0	0	15
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

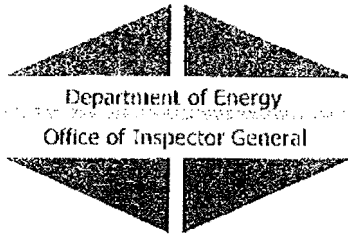
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Beginning July 15, 2013, (b)(6),(b)(7)(C) will be taking over as our agency NCIC Coordinator. All NCIC issues (training, passwords, access, and connectivity) should be directed to (b)(6),(b)(7)(C)

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WEEKLY ACTIVITY REPORT

Ending July 19, 2013

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SIGNIFICANT ACTIVITY

1. Sentencing in Access Device Fraud Investigation

On July 15, 2013, in the Second Judicial District for the State of New Mexico, a former Department subcontractor employee was sentenced to 10 years incarceration, 5 years probation, and 1 year parole, after pleading guilty to 10 counts of fraud and conspiracy. The subcontractor employee was ordered to pay court fees and restitution. The restitution amount has not yet been determined. The investigation determined the subcontractor employee provided thousands of serial numbers for Department-owned computers to another individual not affiliated with the Department. The second individual used the computer serial numbers to fraudulently obtain computer parts valued at approximately \$1.6 million through manufacturer warranty replacements that were later sold for personal gain. This is a joint investigation with the (b)(7)(A) 110AL012: (b)(6), (b)(7)(C)

2. Target Letter Issued in North Carolina Weatherization Assistance Program Investigation

(b)(7)(A)	
(b)(7)(A)	(112SR004: (b)(6), (b)(7)(C))

3. American Recovery and Reinvestment Act Weatherization Assistance Program Sub-grantee and Official Debarred

On July 11, 2013, in response to an Investigative Report to Management, the Department's Office of Procurement and Assistance Management debarred a Washington, District of Columbia, American Recovery and Reinvestment Act (ARRA) sub-grantee and one of its executive officials for a period of 3 years. As previously reported, the investigation determined the sub-grantee misused \$551,712 in ARRA funds to make up for budget shortfalls associated with unrelated operational expenses. (11HQ021: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	233
Cases Opened This Week	1
Cases Closed This Week	2
Total Open Cases for this Ending Date	232
Cases in Hold Status	0
Cases Pending Closure/Action	6
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	142
Hotline Complaints Predicated	9
Referral Letters Issued	6
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB July 18, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	15	0	0	15
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

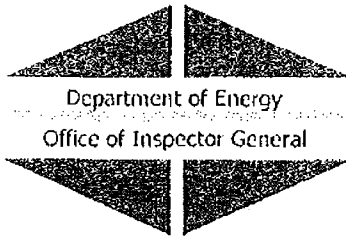
- Please extend a warm welcome to our newest Technology Crimes Section SAs. (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) will be stationed in Oak Ridge, and (b)(6),(b)(7)(C) will be stationed in Livermore. Both started work on July 15, 2013, and will spend the next few weeks undergoing orientation at Headquarters before departing for their duty stations.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Please submit nominations for the 2013 AIGI Awards to (b)(6),(b)(7)(C) by August 2, 2013. Additional information on the award categories and the nomination process can be found in Chapter 14 of the OI Manual.
- New policy for long guns was published this week. It will be posted on IGComm under Supplemental Policies. Firearms instructors will review the new policy and obtain acknowledgement certifications from all SAs during future firearms training sessions.
- Acknowledgement certifications for the recently published FinCEN policy were distributed this week. If you did not receive one, please contact your supervisor or (b)(6),(b)(7)(C) in P3. Completed certifications are required of all OI personnel and should be submitted to SA Morrison by July 31, 2013.

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WEEKLY ACTIVITY REPORT

Ending July 26, 2013

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SIGNIFICANT ACTIVITY

- Administrative Action Taken in Recovery Act Weatherization Fraud Investigation

(b)(7)(A)

This investigation is ongoing. (I12PT005: (b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	232
Cases Opened This Week	2
Cases Closed This Week	5
Total Open Cases for this Ending Date	229
Cases in Hold Status	0
Cases Pending Closure/Action	6
TCS Case Support	7

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	176
Hotline Complaints Predicated	7
Referral Letters Issued	9
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

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FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB July 25, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	15	0	0	15
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- On July 23-24, 2013, (b)(6), (b)(7)(C) provided briefings to Department and contractor employees of the Golden Field Office's Financial Assistance Office. A combined total of 52 individuals attended, whose responsibilities include solicitation, negotiation, and awarding of financial assistance through various means.

OTHER MATTERS

- All personnel are reminded to properly dispose of Official Use Only and sensitive OIG documents. This includes, for example, draft MOIAs and IRMs, complaint forms, documents with PII, and similar records. Proper disposal includes burn bags and shredders. Recycle bins and standard trash containers are not acceptable.

JOYS, CARES, CONCERNS

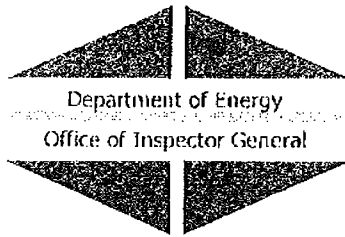
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Annual ethics training is mandatory and must be completed via the Department's Online Learning Center by August 22, 2013. Don't forget to enter the training in CHRIS as well.
- 2013 AIGI Award nominations are due next Friday, August 2, 2013.

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WEEKLY ACTIVITY REPORT
Ending August 2, 2013

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management Issued in Misuse of Position Case

On August 2, 2013, an Investigative Report to Management was issued to the National Nuclear Security Administration (NNSA) and the Chief Human Capital Officer. The IRM outlines the results of an investigation that confirmed allegations that a senior NNSA official facilitated the employment of another NNSA official's [redacted] (b)(6), (b)(7)(C) with a Department of Energy contractor. The IRM contains recommendations for corrective action, including consultation with the designated agency ethics official and administrative action, if warranted. (113HQ012: [redacted] (b)(6), (b)(7)(C))

2. Sentencing in Weatherization Fraud and Bribery Investigation

On July 24, 2013, the Superior Court of California for the County of Los Angeles sentenced the former fiscal officer of a California non-profit agency to 2 years mandatory supervision and ordered them to pay \$337,000 in restitution and \$350 in fines and assessment fees. As previously reported, the investigation determined the former fiscal officer and President of the non-profit agency submitted false claims on weatherization contract work and solicited and accepted bribes from a subcontractor totaling approximately \$1.2 million. The non-profit agency also submitted inflated claims to the State of California that resulted in overbilling to the Department and the U.S. Department of Health and Human Services by approximately \$440,000. (110LL005: [redacted] (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	229
Cases Opened This Week	4
Cases Closed This Week	0
Total Open Cases for this Ending Date	233
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	186
Hotline Complaints Predicated	10
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	1

Positive Outcome Details

- On July 30, 2013, the Office of Intelligence and Counterintelligence provided the OIG a response to a referral regarding allegations against a senior official at Oak Ridge National Laboratory. Specifically, it was alleged that the official violated standards relating to classified and sensitive information. During a review, the Office of Intelligence and Counterintelligence did not substantiate the allegations, but they discovered information that led to the official's dismissal. (13RS029 (b)(6),(b)(7)(C))

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB August 1, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	14	1	0	15
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- A new checklist and template for Executive Briefs have been posted on IGComm in the Examples section of Investigations Policies.

JOYS, CARES, CONCERNS

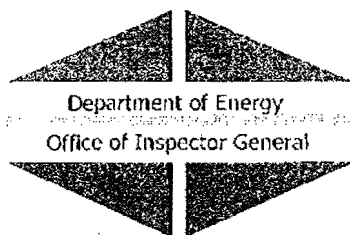
- Please extend a warm welcome to (b)(6),(b)(7)(C) who joined us as an Operations Officer on July 29, 2013. (b)(6),(b)(7)(C) temporary phone number is (b)(6),(b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All OI employees are encouraged to complete the online 2013 Employee Satisfaction Survey, available at: <http://www.surveymonkey.com/s/B99SQWG>. Please provide your feedback no later than August 23, 2013. Contact SA Adrienne Morrison if you have any questions.
- Rifles are now outfitted and will be arriving at field offices in accordance with Special Agent-in-Charge requests.

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WEEKLY ACTIVITY REPORT

Ending August 9, 2013

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SIGNIFICANT ACTIVITY

- Investigative Report to Management Issued in False Claims Investigation

On August 2, 2013, an Investigative Report to Management was issued to the Sandia Field Office Manager recommending a Department contractor ensure internal Cost Transfer Requests are compliant with Cost Accounting Standards (CAS) and that a reconciliation process be used to determine the legitimacy of those same internal Cost Transfer Requests. The investigation determined the contractor did not follow CAS by knowingly and improperly transferring approximately \$1,595,289 in security-related costs during a 4-year period. The contractor violated its contract terms and conditions with the Department and submitted five inaccurate CAS Disclosure Statements and five inaccurate Statements of Costs Incurred and Claimed to the Department. This case was coordinated with the U.S. Department of Justice, Civil Litigation Division, which did not pursue prosecution. (I03AL022: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	233
Cases Opened This Week	3
Cases Closed This Week	5
Total Open Cases for this Ending Date	231
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	156
Hotline Complaints Predicated	8
Referral Letters Issued	0
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB August 8, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	15	0	0	15
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	11

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- All personnel are reminded that in encrypted e-mail messages, the subject line is visible to all. Avoid using sensitive information in that field such as subject names and case numbers. Additionally, investigative or other sensitive documents attached to an encrypted e-mail should be password protected. If an encrypted e-mail is mistakenly sent to a Department or contractor employee with an Entrust account, the person could open the e-mail but would not have access to a password protected attachment.

JOYS, CARES, CONCERNS

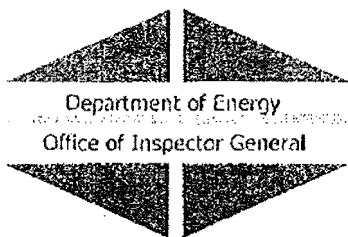
- (b)(6),(b)(7)(C) graduated from the 12-week Criminal Investigator Training Program at FLETC on August 8, 2013. (b)(6),(b)(7)(C) earned the (b)(6),(b)(7)(C) Firearms Expert (289) Award, and (b)(6),(b)(7)(C) earned both the Firearms Expert (294) and Driving Awards. Congratulations to (b)(6),(b)(7)(C).

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The Security tab of IGComm now has a link to Quarterly Security Tips. All OI personnel are encouraged to review the information and provide questions or suggestions to the (b)(6),(b)(7)(C) [REDACTED]
- WingSwept has been selected as the company that will develop our new electronic case management system. Information on this company and their products is available at www.wingswept.com.
- A procurement request for hardware and software licensing associated with a web-based evidence tracking system was submitted this week. Training and additional information are forthcoming, but interested personnel can see their website at www.trackerproducts.com in the meantime. Special thanks to (b)(6),(b)(7)(C) [REDACTED] (b)(6),(b)(7)(C) [REDACTED] for conducting the research and submitting the proposal to acquire this new tool.

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WEEKLY ACTIVITY REPORT

Ending August 16, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Two Former Contractor Employees Debarred

On August 7, 2013, in response to two Investigative Reports to Management, the Deputy Director, Office of Acquisition and Project Management, debarred two former Department contractor employees for a period of 3 years. The investigation determined the individuals possessed trailers, a large welder, and various power tools that had been stolen from the Department's Paducah Site. As previously reported, the individuals each pled guilty to one felony violation in separate Circuit Courts for the Commonwealth of Kentucky. (I13OR001: (b)(6),(b)(7)(C))

2. Former Hanford Site Contractor Employee Sentenced in Purchase Card Investigation

On August 8, 2013, in the U.S. District Court for the Eastern District of Washington, a former Hanford contractor employee was sentenced to 3 years supervised probation and 100 hours of community service, after pleading guilty to violating the Anti-Kickback Act. The subcontractor employee was ordered to pay restitution in the amount of \$1,000 and a special assessment fee. As previously reported, the investigation determined that the contractor employee offered and provided kickbacks to at least 14 Fluor material coordinators on multiple occasions between 2005 and 2008, to induce purchases from the former contractor's company over competing vendors. The kickbacks, which took the form of cash, tickets to sporting events, gift cards, and other things of value, prompted the award of \$3.5 million in business to the former contractor's company. (I09RL001: (b)(6),(b)(7)(C))

3. Search Warrant Executed in Grant Fraud Investigation

(b)(7)(A)	
(b)(7)(A)	(111LL017)(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	231
Cases Opened This Week	1
Cases Closed This Week	3
Total Open Cases for this Ending Date	229
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	117
Hotline Complaints Predicated	7
Referral Letters Issued	11
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB August 15, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	14	0	0	14
Completed	Opened	Withdrawn	Closed	Closed This CY
1	0	0	1	12

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Region 1, Technology Crimes Section, Hotline, and Operations Officers participated in Annual Refresher Training on August 13-14, 2013, at FLETC, Cheltenham, Maryland. Training included control tactics, firearms, and a legal update, with a focus on civil/administrative remedies. Firearms training included shotgun familiarization. Special thanks to (b)(6),(b)(7)(C) for providing a great training session!
- Agents are reminded to include case file review forms when sending closed cases to Headquarters. These forms are subject to Peer Review.

JOYS, CARES, CONCERNS

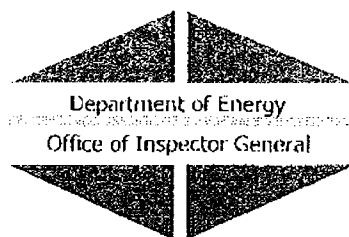
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The OIG is scheduled to convert to our new travel management contract, "Concur," on October 28, 2013. WebEX webinar training sessions are available for travelers, document preparers, and routing officials. Please contact (b)(6),(b)(7)(C) if you need a copy of the training schedule.
- End of fiscal year (FY) reminders: Local vouchers not approved by September 20 will not be approved until FY14 funds become available; travel vouchers should be submitted by September 20 (travelers submitting vouchers after that date should anticipate delayed payment); travel authorizations must be approved by September 27 and travel completed by November 7 (travel planned to be completed after November 7 will need to be authorized under FY14 funding).
- All OI employees are reminded to complete the online 2013 Employee Satisfaction Survey, available at: <http://www.surveymonkey.com/s/B99SQWG>. Please provide your feedback no later than August 23, 2013. Contact (b)(6),(b)(7)(C) if you have any questions.

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WEEKLY ACTIVITY REPORT

Ending August 23, 2013

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SIGNIFICANT ACTIVITY

- None

CASE INVENTORY

Total Open Cases as of Previous Ending Date	229
Cases Opened This Week	4
Cases Closed This Week	1
Total Open Cases for this Ending Date	232
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	146
Hotline Complaints Predicated	15
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB August 22, 2013

With POFC	With MA POFC	In OIG	For Signature	Total Open
0	14	0	0	14
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	12

RECOVERY ACT EFFORTS

- On August 12, 2013, (b)(6),(b)(7)(C) provided briefings to Department employees of the Idaho Operations Procurement Office. A combined total of 21 employees, whose responsibilities include awarding and managing contracts associated with the Idaho National Laboratory, attended the briefings.
- On August 21, 2013, (b)(6),(b)(7)(C) provided a briefing to Department employees of the Argonne Site Office. A total of 12 individuals with varying roles in the Department attended the briefing.

OTHER MATTERS

- All personnel are reminded that CHRIS serves as our official training record. It is critical to ensure CHRIS accurately reflects training requested and, when applicable, successfully completed. Everyone is encouraged to review their own training record and make corrections and revisions as necessary. (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) can assist with revisions, particularly with regard to the status of a particular course.

JOYS, CARES, CONCERNS

- Congratulations to (b)(6),(b)(7)(C) for receiving a 2013 CIGIE Award for outstanding work on an investigation involving a money laundering scheme by a senior Department official and his spouse.
- We send our best wishes to (b)(6),(b)(7)(C) for the Eastern Investigation Operations, Technology Crimes Section, and Hotline, as (b)(6),(b)(7)(C) departs for a new position with the Nuclear Regulatory Commission. (b)(6),(b)(7)(C) last day in the office is August 23, 2013.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- A Special Agent Advisory Committee (SAAC) has been created, and each region is represented by the following individuals:

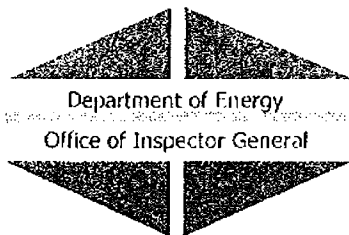
Region 1	(b)(6),(b)(7)(C)
Region 2	
Region 3	
Region 4	
Region 5	
Region 6	
Hotline	(b)(6),(b)(7)(C)
TCS	(b)(6),(b)(7)(C)

(b)(6)(b)(7)(C)

serves as the Chairman of the SAAC. Everyone is encouraged to speak with their representatives regarding any issues and/or concerns that will assist management in creating a better OI. The SAAC's first meeting will be held on October 3, 2013.

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WEEKLY ACTIVITY REPORT

Ending August 30, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Guilty Verdict In Recovery Act Grant Fraud Investigation

On August 28, 2013, the owner of a Department subcontractor company was found guilty by a Travis County Texas jury on one count of fraud. As previously reported, the investigation determined the owner and a former State of Texas employee conspired to submit fraudulent documents and false claims relating to wind energy systems to the Department to obtain approximately \$2 million in Recovery Act funds. Sentencing is scheduled for September 2013, and due to a prior Federal felony conviction resulting from this investigation, the owner faces a 15 year minimum sentence. Judicial action against the former State of Texas employee is pending.

(b)(6),(b)(7)(C)

(111AL015)

2. Investigative Report to Management Issued in Grant Fraud Case

On August 23, 2013, an Investigative Report to Management was issued to the Director, Office of Procurement and Assistance Management, containing recommendations for the suspensions of three Department grant recipients based on interim investigative findings. The investigation has determined that a West Virginia University professor, the principal investigator on the grant, and two of his associates at the university, used grant monies for personal expenses. A determination of total loss to the Department is pending. This case is being coordinated with the United States Attorney's Office, Northern District of West Virginia, and has been accepted for criminal prosecution. This is an ongoing joint investigation with

(b)(6),(b)(7)(C)

(b)(7)(A)

(b)(7)(A)

(112RL006)

(b)(6),(b)(7)(C)

3. Small Business Innovation and Research Grantee Suspended

On August 29, 2013, an Small Business Innovation and Research (SBIR) grant recipient company and principal investigator were suspended indefinitely from contracting with the U.S. Government by National Science Foundation officials. The joint investigation's interim findings revealed the

(b)(7)(A)

(b)(7)(A)

(b)(7)(A)(b)(7)(C)

(112AL010:

CASE INVENTORY

Total Open Cases as of Previous Ending Date	232
Cases Opened This Week	1
Cases Closed This Week	0
Total Open Cases for this Ending Date	233
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	123
Hotline Complaints Predicated	8
Referral Letters Issued	9
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB August 29, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	12

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

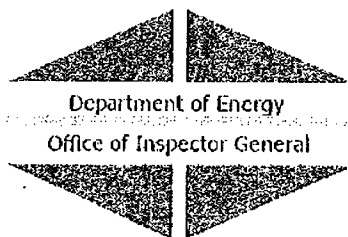
- We send our best wishes to (b)(6),(b)(7)(C) Region 1 Fraud Investigations, as (b)(6),(b)(7)(C) departs for a new position with the Department of Justice. (b)(6),(b)(7)(C) last day in the office is (b)(6),(b)(7)(C) September 6, 2013.
- In anticipation of Labor Day, the Secretary has authorized an early release of 2 hours for all Department employees who work on Friday, August 30, 2013. See your timekeeper or supervisor if you have questions.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Thanks to the efforts of (b)(6),(b)(7)(C) and P3 staff, Hotline complaints can now be submitted via the Internet. The link to the Hotline Submission Form is on the Inspector General page of the Energy.gov website.

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WEEKLY ACTIVITY REPORT

Ending September 6, 2013

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SIGNIFICANT ACTIVITY

- Investigative Report to Management Issued in Handling of Personally Identifiable Information at the Savannah River Site.

On September 4, 2013, an Investigative Report to Management was issued to the Director, Savannah River Site (SRS), making five recommendations as a result of an investigation. These recommendations included reviewing internal controls for accountability of property removed from SRS, telework policies and training for contractor employees, and training and internal controls for properly handling Personally Identifiable Information. The investigation focused on allegations that an SRS contractor employee had an SRS-owned computer hard drive at his residence that contained the Personally Identifiable Information of SRS employees. (113TC005:

(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	233
Cases Opened This Week	0
Cases Closed This Week	5
Total Open Cases for this Ending Date	228
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	144
Hotline Complaints Predicated	4
Referral Letters Issued	1
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

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FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB September 5, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	12	0	0	12
Completed	Opened	Withdrawn	Closed	Closed This CY
1	0	0	1	13

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- When sending a complaint form to the Hotline for the Complaint Coordination Committee consideration, please send the electronic version so the Hotline can finalize the form for submission to the case file.

JOYS, CARES, CONCERNS

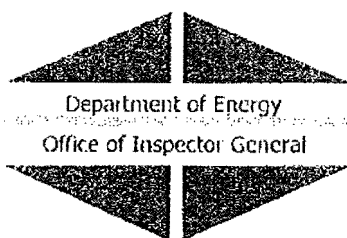
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- The hardware associated with our new electronic evidence tracking system, Tracker, has been received. (b)(6).(b)(7)(C) is working with the vendor to establish our forms and profiles and preparing a computer system to conduct a demonstration during the Managers' Meeting in October 2013.

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WEEKLY ACTIVITY REPORT

Ending September 13, 2013

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SIGNIFICANT ACTIVITY

- Investigative Report to Management Issued in Recovery Act Weatherization Fraud Investigation

On September 10, 2013, an Investigative Report to Management was issued to the Program Manager, Weatherization and Intergovernmental Programs, recommending the Department determine if any grant monies paid to the West Virginia Governor's Office of Economic Opportunity (GOEO) and its sub-grantee, Capital Resources Agency (CRA), should be disallowed and recovered. The investigation determined CRA failed to maintain adequate accounting controls and oversight of its federally funded weatherization program and submitted unallowable and unsupported claims to GOEO, and ultimately the Department. During the investigation, GOEO conducted a full review of CRA's weatherization program and found CRA was reimbursed for unallowable and unsupported costs totaling \$643,006. This case was coordinated with the United States Attorney's Office, Charleston, West Virginia. (110PT004: [REDACTED])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	228
Cases Opened This Week	3
Cases Closed This Week	1
Total Open Cases for this Ending Date	230
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	134
Hotline Complaints Predicated	3
Referral Letters Issued	4
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB September 12, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	10	0	0	10
Completed	Opened	Withdrawn	Closed	Closed This CY
2	0	0	2	15

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Travelers are reminded that all expenses claimed on a voucher must be actual *incurred* expenses. For example, telephone calls home while on travel is a permissible expense, but may only be claimed when that expense is incurred. Please refer to DOE M 552.1-1A, Travel Manual, for additional information.
- Travelers are reminded that making reservations directly with AdTrav via telephone incurs a \$34 reservation service charge, while making reservations online through GovTrip incurs reservation charges of only \$18.10. The \$15.90 difference per trip results in significant cost savings over the course of a fiscal year. All travel reservations must be made online through GovTrip, with the exception of last minute changes, which can only be made by calling AdTrav.
- Agents are reminded that EIGPT will be unavailable from September 22, 2013, through September 30, 2013, due to end-of-year conversion. ***Please ensure EIGPT is up to date, and all significant activities have been recorded by September 20, 2013.***
- Agents are reminded that any significant activity occurring during the current semi-annual reporting period, but not entered into EIGPT by September 20, 2013, should not be entered until October 1, 2013 at the earliest. For example, a conviction occurs

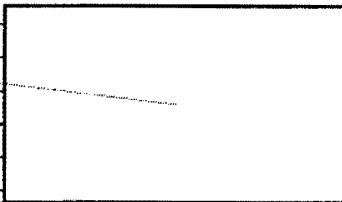

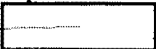
on September 28, 2013, may not be entered into EIGPT until October 1, 2013. Additionally, the date of the conviction must be entered in the "IAT" screen as October 1, 2013, with a note in the IEB explaining the difference between the actual date and the recorded date. Any questions about this should be directed to an Operations Officer.

JOYS, CARES, CONCERNS

- Congratulations to (b)(6),(b)(7)(C) and (b)(6) on their recent wedding. (b)(6)

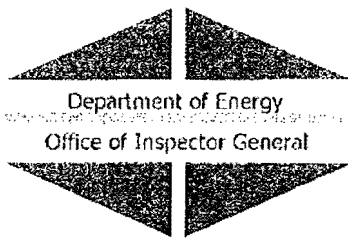
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Mandatory 2013 Privacy Awareness Training must be completed by October 11, 2013. The training should appear on your to-do list in the Online Learning Center.
- The Special Agent Advisory Committee is scheduled to meet on September 20, 2013. Please contact your regional representatives if you wish to express any concerns, which can be done without attribution. Regions are represented by the following individuals:

(b)(6),(b)(7)(C)	Region 1	
	Region 2	
	Region 3	
	Region 4	
	Region 5	
	Region 6	
(b)(6),(b)(7)(C)	Hotline	
(b)(6),(b)(7)(C)	TCS	

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WEEKLY ACTIVITY REPORT

Ending September 20, 2013

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SIGNIFICANT ACTIVITY

- **Conviction in Child Pornography Investigation**

On September 19, 2013, a former Department employee was convicted in U.S. District Court in the Northern District of California following a trial for possession of child pornography. The former Department employee viewed and downloaded numerous images of child pornography onto his Department-issued computer. A search warrant at [redacted] residence resulted in discovery of a larger child pornography collection. This conviction carries a 10 year minimum sentence, and the sentencing will be held in December 2013. (10TC006 [redacted])

- **Reimbursement to Government for Science Misconduct**

[redacted]

- **Settlement Agreement with Department Vendor**

On July 31, 2013, the United States Attorney's Office for the Middle District of Tennessee entered into a settlement agreement whereby a Department vendor and its four principals will pay \$750,000 to the United States for false claims for payment and improper product substitution involving parts such as o-rings, gaskets, and mechanical seals. This was a joint investigation with the Tennessee Valley Authority OIG, U.S. Air Force Office of Special Investigations, and Defense Criminal Investigative Service. (107OR006 [redacted])

- Community Based Organization Suspended in Recovery Act Weatherization Fraud Investigation

(b)(7)(A)

(b)(7)(A) I12HQ010: (b)(6),(b)(7)(C)

- Subcontractor Enters into a Voluntary Exclusion Agreement with the Department

(b)(7)(A)

(b)(7)(A) I12HQ014 (b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	230
Cases Opened This Week	1
Cases Closed This Week	5
Total Open Cases for this Ending Date	226
Cases in Hold Status	0
Cases Pending Closure/Action	6
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	123
Hotline Complaints Predicated	2
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB September 19, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	12	0	0	12
Completed	Opened	Withdrawn	Closed	Closed This CY
0	0	0	0	15

RECOVERY ACT EFFORTS

- On September 19, 2013, (b)(6), (b)(7)(C) provided a briefing to Department contractor, Science Applications International Corporation, in Oak Ridge, Tennessee. A total of 70 employees, half present locally and half joining via teleconference, attended the briefing. Participants included engineers, scientists, contract personnel, corporate attorneys, and support staff.
- On September 19, 2013, (b)(6), (b)(7)(C) conducted a fraud awareness briefing in Richmond, Virginia, for the (b)(6), (b)(7)(C) Commonwealth of Virginia, (b)(6), (b)(7)(C) staff, and members of the Office of the State Inspector General.

OTHER MATTERS

- All personnel are reminded that to the extent possible, official emails should be sent using the Department's email system. If it is not practicable to use the Department's email system, any official email sent from outside the system should include a cc to a Department email address to ensure the document is preserved in the Department's email system, as required by National Archives and Records Administration regulations. Additionally, no sensitive information or documents (OUO, PII, etc.) can be sent to personal email accounts.

JOYS, CARES, CONCERNS

- Office of Investigations personnel recently participated in the Office of Audits and Inspections regional training conferences by provided training to audit and inspection staff. Topics covered included Emerging Fraud, Interviewing Tips, Hotline Operations, Technology Crimes Section as Your Resource, and Investigative Case Studies.

Special thanks to (b)(6), (b)(7)(C)

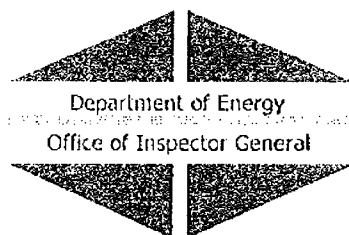
(b)(6), (b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Some end of Fiscal Year (FY) travel reminders:
 - **Local Vouchers** – must be approved no later than September 20, 2013 in order to use FY 2013 funds – local travel vouchers submitted after September 20, 2013 will need to use FY 2014 funds and cannot be submitted until FY 2014 funds become available.
 - **Travel Vouchers** – to the extent possible, travel vouchers should be submitted no later than September 20, 2013 – vouchers submitted between September 20, 2013 and October 1, 2013 will be processed but payment may be delayed.
 - **Travel Authorizations** – travel authorization using FY 2013 funds must be approved no later than September 27, 2013 and the travel must be completed no later than November 7, 2013 (which is a Thursday).
- Mandatory 2013 Privacy Awareness Training must be completed by October 11, 2013. The training is available via the Online Learning Center.
- Agents are reminded that EIGPT will be unavailable from September 22, 2013, through September 30, 2013, due to end-of-year conversion.

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending September 27, 2013

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SIGNIFICANT ACTIVITY

- **Sentencing in Recovery Act Grant Fraud Investigation**

On September 24, 2013, the owner of a Department subcontractor company was sentenced in Travis County Texas District Court to 15 years incarceration and ordered to pay \$1.8 million in restitution. The state sentence is to run concurrently with the owner's Federal felony weapons conviction, also a result of this investigation. As previously reported, the investigation determined the owner and a former State of Texas employee conspired to submit fraudulent documents and make false claims to the Department to obtain approximately \$2 million in Recovery Act funds. The owner falsely stated that [redacted] company's technology for wind turbines was "shovel ready"; however, no functional turbines were ever built. Judicial action against the former State of Texas employee is pending. (I11AL015: [redacted])

(b)(6),(b)(7)(C)

CASE INVENTORY

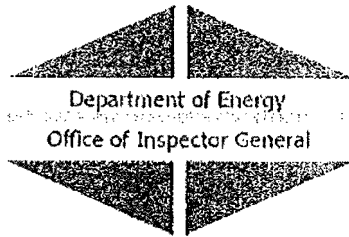
Total Open Cases as of Previous Ending Date	226
Cases Opened This Week	3
Cases Closed This Week	1
Total Open Cases for this Ending Date	228
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	123
Hotline Complaints Predicated	0
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None



WEEKLY ACTIVITY REPORT
Ending October 4, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Department Contractor Enters into Repayment Agreement

On October 1, 2013, the Department received payment from a former Los Alamos National Laboratory (LANL) contractor employee pursuant to a \$13,382.72 repayment agreement that was entered into with the U.S. Attorney's Office for the District of New Mexico. As previously reported, the investigation determined LANL paid the former contractor employee for 354 hours of sick leave to which [redacted] was not (b)(6),(b)(7)(C) entitled. The investigation found the former contractor employee took sick leave from LANL, while performing outside employment and residing in North Carolina. No further criminal or civil judicial action is forthcoming in this investigation. (107AL013: [redacted] (b)(6),(b)(7)(C)

2. Department Employee Resigns in Lieu of Termination and Receives Target Letter

(b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(112AL009: [redacted]

3. Former Western Area Power Administration Employee Sentenced

On September 26, 2013, a former Western Area Power Administration employee was sentenced in U.S. District Court, District of Montana, to 4 years probation and ordered to pay a \$3,500 fine and restitution to the Department in the amount of \$83,700. As previously reported, the OIG investigation determined that from 2001 to 2012, the former employee defrauded the U.S. Department of Labor's (DOL) Office of

Workers Compensation Program by not reporting [redacted] self-employment income, (b)(6), (b)(7)(C)
resulting in long-term disability overpayments of approximately \$275,000. This was a
(b)(7)(A) [redacted] (I08DN003: [redacted]) (b)(6), (b)(7)(C)

4. Settlement Agreement with Energy Efficiency and Conservation Block Grant Recipient

On September 25, 2013, in response to an Investigative Report to Management, the Department signed a \$31,783 settlement agreement with an Energy Efficiency and Conservation Block Grant (EECBG) recipient. As previously reported, the OIG investigation determined the EECBG recipient hired consultants to assist in awarding an EECBG project. The project was subsequently awarded to another company employing the same consultants. These actions violated an EECBG provision concerning conflicts of interest. (I12OR006: [redacted]) (b)(6), (b)(7)(C)

5. Criminal Information Filed In North Carolina Weatherization Assistance Program Investigation

(b)(7)(A)

[Large redacted area]

(b)(7)(A)

I12SR004: [redacted]

(b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	227
Cases Opened This Week	1
Cases Closed This Week	2
Total Open Cases for this Ending Date	226
Cases in Hold Status	0
Cases Pending Closure/Action	6
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	121
Hotline Complaints Predicated	12
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB October 3, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This FY
0	0	0	0	0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The new Case Management and Tracking System (CMTS) is now in its initial implementation phase. The subject matter experts are working closely with the contractors and Carnegie Melon team to ensure a smooth implementation. Training for the field will begin in early 2014, and CMTS is slated to be fully operational on April 1, 2014.
- Agents are reminded of the requirement to obtain a written waiver from their supervisor if unable to attend quarterly firearms training due to exceptional circumstances. See OI Manual Chapter 4,XIII,C,2 for additional details.

JOYS, CARES, CONCERNS

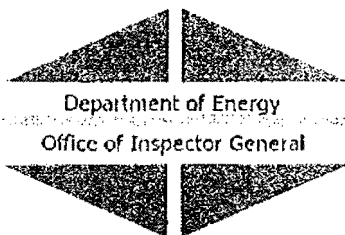
- Secretary Moniz personally visited the IG's office in the Forrestal building on October 3, 2013. He expressed his appreciation for our dedication and professionalism. He also stated our work was having a positive impact on the Department, for which he was grateful.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All FLETC training is cancelled until ongoing budget issues are resolved.

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Department of Energy
Office of Inspector General

WEEKLY ACTIVITY REPORT

Ending October 11, 2013

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SIGNIFICANT ACTIVITY

- GUILTY PLEA IN SAVANNAH RIVER SITE FALSE STATEMENTS INVESTIGATION**

On October 3, 2013, a former contractor employee pleaded guilty to one count of False Statements in U.S. District Court in the District of South Carolina. As previously reported, a Federal Grand Jury indicted the former contractor employee on three counts of False Statements after the investigation determined the former contractor employee used [redacted] personally identifiable information to obtain a Savannah River Site badge to prevent disclosure of a previous bankruptcy, and receive per diem payments for which [redacted] was not entitled. (I12SR011 [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	226
Cases Opened This Week	3
Cases Closed This Week	1
Total Open Cases for this Ending Date	228
Cases in Hold Status	0
Cases Pending Closure/Action	6
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	123
Hotline Complaints Predicated	7
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB October 10, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This FY
0	0	0	0	0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Thanks to everyone who responded to the Case Management & Tracking System survey. If you have not already responded, please remember the survey concludes today. The survey link is: <http://www.surveymonkey.com/s/5BKZ9ML>
- The Combined Federal Campaign (CFC) theme for this year is "Make it Possible." If you have any questions or concerns, please contact the Key Worker for your office.

JOYS, CARES, CONCERNS

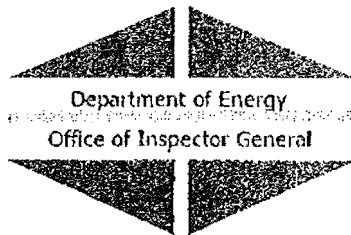
- The 2013 CIGIE Awards Ceremony previously scheduled for October 15, 2013, has been indefinitely postponed due the budget situation. [REDACTED] is an award recipient this year. (b)(6),(b)(7)(C)
- The 2013 OIG Awards Ceremony will occur October 16, 2013, from 1 to 3 p.m. EDT and be broadcast to all field sites by VTC.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Contact with the Veterans Administration OIG Peer Review Team Leader has been initiated. Their plan is to begin the review in mid-January 2014. Locations for site visits have not yet been determined. P3 has begun initial preparations for the Peer Review.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending October 18, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Investigative Report to Management Issued In Misuse of Position Investigation

On October 15, 2013, an Investigative Report to Management was issued to the Assistant Secretary of Fossil Energy, making three recommendations for corrective action. The ongoing investigation has determined that a senior Department employee requested a subordinate to delete or modify records connected with an OIG investigation, misused [redacted] position to effect the hiring of certain interns, and misused his Government computer to view pornography. After being interviewed by the OIG, the senior employee resigned their employment with the Department. The investigation is being coordinated with the United States Attorney's Office, Western District of Pennsylvania. (114PT002; [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

2. Investigative Report to Management Issued In Radiation Detection Device Investigation

On October 16, 2013, an Investigative Report to Management was issued to the Deputy Director, Office of Acquisition and Project Management, recommending suspension and debarment action against three former prime contractor managers from the Department's Portsmouth site. As previously reported, the investigation determined subcontractor Radiological Control Technicians, at the direction of three contractor managers, altered the testing records of portable radiation detection devices so they appeared to be calibrated, when in fact they were not. (113OR006; [redacted])

(b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	227
Cases Opened This Week	2
Cases Closed This Week	0
Total Open Cases for this Ending Date	229
Cases in Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	120
Hotline Complaints Predicated	3
Referral Letters Issued	5
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB October 17, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This FY
0	0	0	0	0

RECOVERY ACT EFFORTS

(b)(6),(b)(7)(C)

- On October 15, 2013, [REDACTED] provided two fraud awareness briefings at West Virginia University (WVU) in Morgantown, West Virginia. The briefings were provided to 101 staff members of the Financial Services Division, as well as 10 Deans and Associate Deans from WVU's Research & Development Corporation and the Colleges of Creative Arts and Engineering & Mineral Science. The employees are directly involved in the solicitation, administration and submission of invoicing on numerous Department grants awarded to WVU. The briefings focused on fraud trends and indicators and the American Recovery and Reinvestment Act.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- Congratulations to the winners of the 2013 AIGI Awards:

(b)(6),(b)(7)(C) o Investigator of the Year – [REDACTED]
 o Investigation of the Year – Hanford Overtime Fraud (Case Agent [REDACTED] (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) [REDACTED]
(b)(6),(b)(7)(C) o New Employee of the Year – [REDACTED]
(b)(6),(b)(7)(C) o Staff Person of Year – [REDACTED]

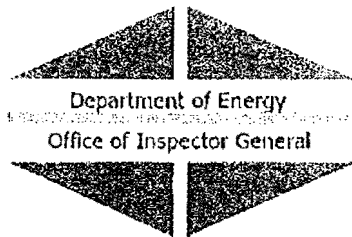
- (b)(6),(b)(7)(C) • Congratulations to [REDACTED] for receiving CIGIE Awards for Excellence for individual investigative accomplishments and as a member of the Small Business Innovation Research Working Group.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Individual Development Plans are due by November 4, 2013. The plan should be completed and submitted through the Department's Employee Self Service web page.

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WEEKLY ACTIVITY REPORT

Ending October 25, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Subcontractor Employee Debarred in Per Diem Fraud Investigation

On October 21, 2013, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management notified the OIG of the debarment of a former subcontractor employee from doing business with the Federal Government for a period of 3 years. As previously reported, this individual was indicted for fraudulently receiving per diem benefits by falsifying eligibility certifications in order to receive \$69,822. The former subcontractor employee pled guilty, was sentenced to 5 years of probation, and ordered to pay \$69,822 in restitution. (111SR026-)

(b)(6),(b)(7)(C)

2. Five Former Contractor Employees Indicted and Arrested

On October 8, 2013, five former contractor employees were indicted in the District of South Dakota for conspiracy to commit theft. The individuals were subsequently arrested on October 15, 2013. The investigation determined these individuals used a scheme in which false vouchers were generated by a contractor and paid for work not performed. These individuals received over \$80,000 in Federal block grant funding and admitted using the money for drugs and hotel stays. This is a joint investigation

(b)(7)(A)

(111IF006-)

(b)(6),(b)(7)(C)

3. Investigative Report to Management Issued to National Energy Technology Laboratory Director After Investigation of Property Accountability Issues

On October 18, 2013, in response to an allegation that a National Energy Technology Laboratory (NETL) scientist could not account for precious metals he had signed for and received, an Investigative Report to Management was issued to the Office of the NETL Director making two recommendations for corrective action. Although the metals were found, the investigation determined that NETL was not complying with Federal and Department directives in accounting for, and properly securing precious metals. (114PT001)

(b)(6),(b)(7)(C)

4. Sentencing In Investigation Involving Embezzlement of Recovery Act Funds

On October 24, 2013, a former finance director for a Baton Rouge, Louisiana, non-profit agency was sentenced to 12 months and 1 day imprisonment and 12 months supervised release following imprisonment. As previously reported, the former finance director was convicted of embezzling more than \$50,000 in Federal funds and using the money for gambling and personal expenditures. The non-profit agency received Recovery Act funding from the Departments of Energy and Health and Human Services for weatherization and software training. (12CH004: [REDACTED] (b)(6),(b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	229
Cases Opened This Week	0
Cases Closed This Week	2
Total Open Cases for this Ending Date	227
Cases In Hold Status	0
Cases Pending Closure/Action	5
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	110
Hotline Complaints Predicated	10
Referral Letters Issued	0
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB October 24, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This FY
0	0	0	0	0

RECOVERY ACT EFFORTS

(b)(6),(b)(7)(C)

- On October 21, 2013, [REDACTED] provided a fraud awareness briefing to 11 staff members of the University of Pittsburgh, College of Engineering. The employees are involved in the solicitation, administration, and submission of invoices on several Department grants awarded to the university. The

briefing focused on fraud trends and indicators, as well as the American Recovery and Reinvestment Act.

(b)(6),(b)(7)(C)

- On October 24, 2013, [REDACTED]

(b)(6),(b)(7)(C)

[REDACTED] provided three fraud awareness briefings to over 480 Federal and contractor personnel from the Headquarters Office of Energy Efficiency and Renewable Energy (EERE). The audience included personnel of all levels from EERE, including the Assistant Secretary.

OTHER MATTERS

- Implementation of the new case management system is progressing. Members of the team are meeting regularly with contractors and the vendor to ensure that all of our needs for a new system are met. More updates and opportunities to view the new system will be coming in the near future.

JOYS, CARES, CONCERNS

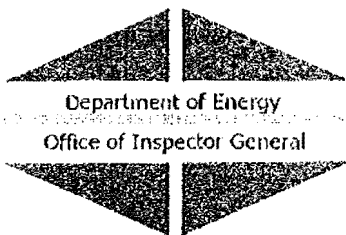
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Final FY13 Performance Ratings are to be completed in ePerformance by October 31, 2013.
- FY14 Individual Development Plans are to be completed by November 4, 2013.
- FY14 Performance Plans are to be initialized in ePerformance by November 15, 2013.

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WEEKLY ACTIVITY REPORT

Ending November 1, 2013

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SIGNIFICANT ACTIVITY

1. Interim Distribution of Bankruptcy Proceeds In Defective Body Armor Case

(b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(I04OR010:

2. Investigative Report to Management Issued in Conflict of Interest Investigation

(b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(I12OR017:

CASE INVENTORY

Total Open Cases as of Previous Ending Date	227
Cases Opened This Week	4
Cases Closed This Week	3
Total Open Cases for this Ending Date	228
Cases in Hold Status	0
Cases Pending Closure/Action	4
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	105
Hotline Complaints Predicated	7
Referral Letters Issued	3
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB October 31, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	13	0	0	13
Completed	Opened	Withdrawn	Closed	Closed This FY
0	0	0	0	0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- All agents are reminded that the Operations Officers will assist you with weekly submissions and stat updates when you are unable to do so due to investigative obligations. The goal is to ensure that field accomplishments and notable activities are included in the Weekly Report.
- All personnel are reminded to ensure leave requests in ATAAPS are revised as appropriate. Requests should reflect claims on timesheets. Please direct questions to your supervisor.

JOYS, CARES, CONCERNS

- Please remember to set your clocks back 1 hour Saturday night.

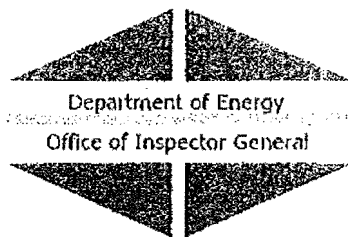
(b)(6),(b)(7)(C) • Best wishes to (b)(6),(b)(7)(C) as [] leaves the Hotline for the Richland,
(b)(6),(b)(7)(C) Washington office [] last day at the Hotline will be November 7, 2013 and [] first (b)(6),(b)(7)(C)
day in Richland will be November 15, 2013.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Courses taken via the Department's Online Learning Center do NOT need to be entered separately into the CHRIS database.
- Completion of the training evaluation form in CHRIS converts the course status to Completed. If not completing a training evaluation for any reason, please contact (b)(6),(b)(7)(C) [] so the status can be manually converted.
- All personnel must complete the following online courses no later than January 31, 2014:
 1. DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.
 2. Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to (b)(6),(b)(7)(C) [] once completed.

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WEEKLY ACTIVITY REPORT

Ending November 15, 2013

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SIGNIFICANT ACTIVITY

1. Sentencing In Weatherization Fraud and Bribery Investigation

On November 4, 2013, the Superior Court of California for the County of Los Angeles sentenced a former employee of a California non-profit agency to 24 months in jail; however, 16 months are suspended and the remaining 8 months are to be served by electronic monitoring. The former employee was also sentenced to 3 years probation and ordered to pay \$323,991 in restitution and \$630 in fines and assessment fees. As reported previously, the investigation determined the former employee of the non-profit agency submitted false claims on weatherization contract work and solicited and accepted bribes from a subcontractor totaling approximately \$1.2 million. The employee also submitted inflated claims to the State of California that resulted in overbilling to the Department and the U.S. Department of Health and Human Services by approximately \$440,000. (110LL005: (b)(6), (b)(7)(C))

2. Suspension In False Claims Investigation

(b)(7)(A)

(b)(7)(A)

(113LL007: (b)(6), (b)(7)(C))

3. Administrative Actions Taken Against Former Social Security Administration Beneficiary

On November 7, 2013, as a result of this joint investigation between the Social Security Administration (SSA) OIG and DOE OIG, the Government recovered \$18,282 in fraudulent benefits paid to a Savannah River Site (SRS) contractor employee's (b)(6), (b)(7)(C). Additionally, this investigation prevented future fraudulent benefits from being paid to the contractor employee's (b)(6), (b)(7)(C) resulting in a cost savings of (b)(6), (b)(7)(C) \$141,917.00. Specifically, the SSA denied the (b)(6), (b)(7)(C) benefits because (b)(6), (b)(7)(C) household (b)(6), (b)(7)(C).

(b)(6),(b)(7)(C) income exceeded SSA's limits. On the same day SSA benefits were denied, the contractor employee and his wife signed a false marriage separation agreement and the contractor employee changed [redacted] driver's license address to (b)(6),(b)(7)(C) address. By submitting these two false documents to SSA, the contractor employee's (b)(6),(b)(7)(C) income was subtracted from [redacted] household income which made [redacted] eligible to (b)(6),(b)(7)(C) receive SSA benefits. This investigation determined that the SRS contracted (b)(6),(b)(7)(C) employee and [redacted] did not separate nor did the contracted employee move to [redacted] (b)(6),(b)(7)(C) [redacted] home as purported to SSA. (I11SR018) (b)(6),(b)(7)(C)

4. Investigative Report to Management Issued in Embezzlement of Recovery Act Funds Investigation

On November 14, 2013, an Investigative Report to Management was issued to the Director, Office of Procurement and Assistance Management, containing a recommendation for the suspension and/or debarment of the former finance director for a Baton Rouge, Louisiana, non-profit agency. As previously reported, the former finance director was convicted of embezzling more than \$50,000 in Federal funds and using the money for gambling and personal expenditures. The former finance director was sentenced to 12 months and 1 day imprisonment and 12 months supervised release following imprisonment. The non-profit agency received Recovery Act funding from the Departments of Energy and Health and Human Services for weatherization and software training. (I12CH004) (b)(6),(b)(7)(C)

5. Action Taken In Response to Ongoing OIG Investigation

(b)(7)(A)	
(b)(7)(A)	(I13AL007: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	230
Cases Opened This Week	2
Cases Closed This Week	4
Total Open Cases for this Ending Date	230
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	90
Hotline Complaints Predicated	5
Referral Letters Issued	0
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB November 14, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	14	0	0	14
Completed	Opened	Withdrawn	Closed	Closed This FY
0	0	0	0	0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Deputy Inspector General for Investigations John Hartman announced a contest to name our new electronic case management system (currently known as CMTS). Submit ideas via email to OIGCMTS@hq.doe.gov. The person submitting the name that is ultimately selected will have the honor of being forever known as the "namer of the system," and will receive a \$25 gift card from John to the retailer of their choice. Additionally, all OI employees are encouraged to submit questions about CMTS to the same email address.

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
 1. DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.

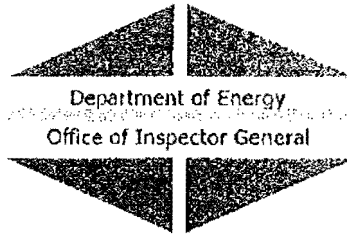
2. Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C) once completed.

- The Federal Employee Health Benefits Program open season has begun and runs through December 9, 2013. Forms and guides were recently distributed via email. Questions should be directed to (b)(6),(b)(7)(C) is available by email or at (b)(6),(b)(7)(C)
- The following fields must be completed on all CHRIS Training Requests:
 - Course Title
 - Begin/End Date
 - Duty Hours
 - Course Type
 - Delivery Type
 - Vendor Name
 - Training Location (City and State)
 - Training Reason
 - Purpose
 - Direct Costs (If None, please indicate in the Remarks Section)
 - Indirect Costs (If None, please indicate in the Remarks Section)
- Agents are encouraged to utilize the Special Agent Advisory Committee to express any concerns, which can be done without attribution. (b)(6),(b)(7)(C) is the current Chairperson. Feel free to contact (b)(6),(b)(7)(C) directly or one of the regional representatives listed below.
 - Region 1 – (b)(6),(b)(7)(C)
 - Region 2 –
 - Region 3 –
 - Region 4 –
 - Region 5 –
 - Region 6 –
 - Hotline – (b)(6),(b)(7)(C)
 - TCS – (b)(6),(b)(7)(C)

DISTRIBUTION

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending November 22, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former National Energy Technology Laboratory Director Indicted

On November 19, 2013, the former Director of the National Energy Technology Laboratory was indicted in U.S. District Court, Western District of Pennsylvania. Specifically, the former Director was indicted for attempting to alter documents and influence witness testimony in connection with an inquiry into allegations that he had misused his position. As previously reported, the ongoing investigation determined the former Director instructed a subordinate to delete or modify records connected with an OIG investigation, misused his position to effect the hiring of certain interns, and used his Government computer to view pornography. After being interviewed by the OIG, the former Director resigned from employment with the Department. The investigation is being coordinated with the U.S. Attorney's Office, Western District of Pennsylvania. (114PT002; (b)(6),(b)(7)(C))

2. Settlement Agreement Reached In Cost Mischarging Investigation

On November 5, 2013, the U.S. Attorney's Office for the Eastern District of North Carolina reached an agreement with a Department contractor to reimburse the United States \$414,828 for mischarges submitted to the Department and the Department of Defense from 2006 through 2013. The mischarges were revealed by the contractor in a Contractor Disclosure Report pursuant to Federal Acquisition Regulations. The OIG joint investigation with the Defense Criminal Investigative Service determined that between 2006 and 2013 the contractor's employees were instructed by a former Director of the company to change timekeeping entries to match internal financial projections rather than reflect their actual hours worked. (113SR011; (b)(6),(b)(7)(C))

3. Administrative Actions taken against Former Department Contractor Employee

On November 13, 2013, a contractor employee at the Idaho National Laboratory was terminated for the improper use of Government property. Property valued at approximately \$67,703.00 was recovered from the contractor employee's residence. In addition to the recovery of Government property, the contractor employee was

denied a year-end award valued at approximately \$68,000. The investigation determined the contractor employee took Government property, such as computer switches and firewalls, to his residence. (111IF008: (b)(6),(b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	230
Cases Opened This Week	0
Cases Closed This Week	1
Total Open Cases for this Ending Date	229
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	106
Hotline Complaints Predicated	13
Referral Letters Issued	1
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB November 21, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	15	0	0	15
Completed	Opened	Withdrawn	Closed	Closed This FY
0	1	0	0	0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Deputy Inspector General for Investigations John Hartman announced a contest to name our new electronic case management system (currently known as CMTS). Submit ideas via email to OIGCMTS@hq.doe.gov. The person submitting the name that is ultimately selected will have the honor of being forever known as the "namer of

the system," and will receive a \$25 gift card from John to the retailer of their choice. Additionally, all OI employees are encouraged to submit questions about CMTS to the same email address.

JOYS, CARES, CONCERNS

- We extend a warm welcome to (b)(6),(b)(7)(C) both of whom started their DOE careers this week. (b)(6),(b)(7)(C) joins the Hotline and Analysis Section as our first Investigative Analyst. (b)(6),(b)(7)(C) joins the Washington, DC office of investigations as a fraud investigator. Please introduce yourselves to our new colleagues and welcome them to our team.
- This week (b)(6),(b)(7)(C) learned that a case (b)(6),(b)(7)(C) worked as the case agent from (b)(6),(b)(7)(C) beginning to end while working as an Air Force Office of Special Investigations agent has resulted in the largest Trial Judgment under the False Claims Act in the history of the United States. The investigation determined United Technologies Corporation misrepresented how it calculated prices on F-16 fighter jet engines. After remand from the 6th Circuit, the District Court awarded the Government False Claims Act damages and penalties of \$364 million, which is the highest recovery obtained by the Government in a case tried under the false claims act. Additionally the court ordered \$109 million in common law damages and \$191 million in prejudgment interest for a total judgment of \$664 million. Anyone interested in reading the press release can click on the following link: <http://www.justice.gov/opa/pr/2013/June/13-civ-696.html>.

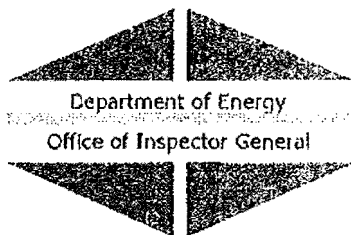
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
 1. DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.
 2. Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) once completed.
- The Federal Employee Health Benefits Program open season has begun and runs through December 9, 2013. Forms and guides were recently distributed via email. Questions should be directed to (b)(6),(b)(7)(C) is available by email or at (b)(6),(b)(7)(C).
- The OIG is scheduled to convert from GovTrip to Concur on February 3, 2014. Additional information will be provided as it becomes available.

- Our new electronic case management system will be demonstrated to all OI employees in January. The two dates currently scheduled for the 1 hour demonstration are January 29, 2014 at 10 am (EST) and January 30, 2014 at 2 pm (EST).

DISTRIBUTION

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WEEKLY ACTIVITY REPORT

Ending December 6, 2013

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. **GUILTY PLEA BY FORMER STATE OF TEXAS OFFICIAL IN RECOVERY ACT GRANT FRAUD INVESTIGATION**

On November 25, 2013, a former State of Texas grant administrator pled guilty to one count of Misuse of Official Information in the Travis County District Court. Per the plea agreement, the former administrator will serve 3 years of deferred adjudication probation, pay \$2,500 in restitution, and cannot be employed in a position that manages grant funds. The investigation determined that the owner of a Department subcontractor company and the former administrator conspired to submit fraudulent documents and make false claims to the Department to obtain approximately \$2 million in Recovery Act funds. As previously reported, the owner was found guilty of one count of fraud and other weapons violations and is currently serving a 15 year sentence. Sentencing for the former administrator is scheduled for December 20, 2013. (I11AL015- (b)(6),(b)(7)(C))

2. **PLEA AGREEMENT IN NORTH CAROLINA WEATHERIZATION ASSISTANCE PROGRAM INVESTIGATION**

On December 2, 2013, a former Director of the Weatherization Assistance Program (WAP) for a local community action agency pled guilty in the U.S. District Court for the Middle District of North Carolina to conspiracy to embezzle money and embezzling money from an organization receiving Federal funds. The investigation determined that the former Director received monetary kickbacks in excess of \$300,000 from the Director's relatives who presented themselves as local contractors in order to be selected by the Director for the WAP work. One of these relatives created a company in an effort to both disguise their relationship to the Director and to give an appearance of performing business as a legal enterprise. Although the contractor company was paid in excess of \$900,000, the investigation determined that they performed approximately \$400,000 of legitimate work, and additional conspiracy charges are expected for others involved in the scheme. This is an ongoing joint investigation with the (b)(7)(A)

(b)(7)(A)

(I12SR004; (b)(6),(b)(7)(C))

3. Former Lawrence Livermore National Laboratory Employee Arraigned

On November 27, 2013, a former Lawrence Livermore National Laboratory (LLNL) employee was arrested on two felony warrants for Grand Theft and Possession of Stolen Property and was arraigned and charged on December 4, 2013, in the Superior Court of California for the County of Alameda. An investigation determined the former employee stole optical devices, toner cartridges, and computer parts and accessories valued at approximately \$58,000 from LLNL and sold the items on eBay. Additionally, the OIG recovered approximately \$2,292 worth of stolen LLNL property from the former employee's residence. This is an ongoing investigation with the

(b)(7)(A) (I13LL009: (b)(6), (b)(7)(C))

4. Employees Terminated and Suspended at Los Alamos National Laboratory

On November 25, 2013, a Los Alamos National Laboratory (LANL) employee was terminated as a result of misusing several LANL General Services Administration (GSA) fuel cards on multiple occasions. An additional LANL employee received a 2 day suspension without pay for failing to report the misuse to management. The joint investigation with the GSA OIG determined that on multiple occasions, the terminated employee used several LANL GSA fuel cards to fraudulently purchase gasoline for personal use. This case is being coordinated with the

(b)(7)(A) (I13AL015: (b)(6), (b)(7)(C))

CASE INVENTORY

Total Open Cases as of Previous Ending Date	232
Cases Opened This Week	0
Cases Closed This Week	2
Total Open Cases for this Ending Date	230
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	187
Hotline Complaints Predicated	17
Referral Letters Issued	1
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB December 5, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	16	0	0	16
Completed	Opened	Withdrawn	Closed	Closed This FY
0	1	0	0	0

RECOVERY ACT EFFORTS

- On December 2, 2013, (b)(6),(b)(7)(C) provided a fraud awareness briefing to over 100 Federal and contractor personnel from the Energy Efficiency and Renewable Energy's Golden Field Office (GFO). The audience included GFO personnel from technical programs, facilities, lab operations, finance, acquisitions, legal, environment, human resources, workforce management, and project management.

OTHER MATTERS

- Our new electronic case management system will be demonstrated to OI employees in January. The two dates currently scheduled for the 1 hour demonstration are January 29, 2014, at 10 am (EST) and January 30, 2014, at 2 pm (EST). All OI employees are expected to view one of these demonstration sessions. Please continue to submit any questions relating to the case management system to the following e-mail address: OIGCMTS@hq.doe.gov.

JOYS, CARES, CONCERNS

- Congratulations to the following OI employees for receiving recognition pins and certificates for their Government service: (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)
- Region 6 Investigations welcomed (b)(6),(b)(7)(C) to the Richland office. (b)(6),(b)(7)(C)
can be reached at (b)(6),(b)(7)(C) (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)

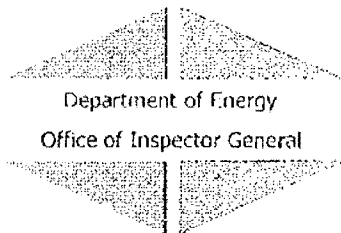
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All OI personnel with an L or Q clearance are required to complete the 2013 Annual Security Refresher Training via the Management Information System website by December 27, 2013, in order to maintain security access. An e-mail providing details was sent on November 27, 2013. If you need additional information, contact SA Adrienne Morrison.

- MA is currently working with the Department with regard to an OIG exemption from the 50 mile Travel Authorization (TA) requirement. Until resolved, personnel should submit and get a TA approved in GovTrip for all travel exceeding 50 miles from the employee's duty station. Following the trip, vouchers only need to be generated when there are reimbursable expenses incurred during the travel.

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WEEKLY ACTIVITY REPORT

Ending December 13, 2013

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SIGNIFICANT ACTIVITY

1. Civil Complaint Filed Against Three Department Contractors and Company Owner in Connection with False Claims Act Violations

On December 6, 2013, the U.S. Attorney's Office for the Eastern District of Washington filed a civil complaint under the False Claims Act. The complaint alleges three Department contractors and a company owner falsely claimed credit for awarding tens of millions of dollars in Federal subcontracting business to qualified small businesses. The investigation substantiated that a Department prime contractor claimed small businesses were performing subcontract work, but the work was actually performed by another Department subcontractor that does not qualify as a small business. This is a joint investigation with the (b)(7)(A)

(b)(7)(A)

(113RL003: (b)(6), (b)(7)(C)

2. Monetary Recovery in Kickback Investigation

On December 10, 2013, the National Nuclear Security Administration's Pantex Field Office notified the OIG that as a result of an ongoing OIG investigation, the Managing and Operating (M&O) contractor for the Pantex Plant agreed to reimburse the Department \$40,942. The investigation involves allegations of a quid pro quo arrangement in which an M&O procurement official accepted gratuities in exchange for the award of a \$228,000 contract for outside legal services. The investigation is ongoing and is being coordinated with the U.S. Attorney's Office for the Northern District of Texas. (111AL011: (b)(6), (b)(7)(C)

3. Action Taken in Response to an Investigative Report to Management in Misuse of Position Investigation

On December 3, 2013, the Office of Fossil Energy responded to an Investigative Report to Management (IRM) that made three recommendations for corrective action. As previously reported, the Office of Investigations issued an IRM to the Acting Assistant Secretary for Fossil Energy following an investigation into allegations that the former National Energy Technology Laboratory (NETL)

Director misused his position. The investigation determined the former NETL Director requested a subordinate to delete or modify records connected with an OIG investigation, misused his position to effect the hiring of certain interns, and misused his Government computer to view pornography. In response to the IRM, Fossil Energy agreed with all recommendations and is strengthening internal controls to address identified weaknesses. The prosecution of the former NETL Director is being coordinated with the U.S. Attorney's Office for the Western District of Pennsylvania.

(114PT002; (b)(6),(b)(7)(C) [REDACTED])

4. Search Warrant Executed in Theft of Government Property Investigation

(b)(7)(A) [REDACTED]

(113AL012; (b)(6),(b)(7)(C) [REDACTED])

CASE INVENTORY

Total Open Cases as of Previous Ending Date	229
Cases Opened This Week	1
Cases Closed This Week	5
Total Open Cases for this Ending Date	225
Cases in Hold Status	0
Cases Pending Closure/Action	3
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	101
Hotline Complaints Predicated	12
Referral Letters Issued	2
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB December 12, 2013

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	17	0	0	17
Completed	Opened	Withdrawn	Closed	Closed This FY
0	1	0	0	0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

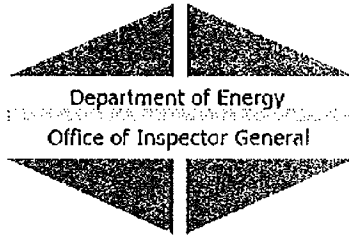
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
 1. DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.
 2. Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to (b)(6).(b)(7)(C) once completed. (NOTE: This course takes longer most of the other online courses. Plan accordingly to meet the deadline.)

DISTRIBUTION

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WEEKLY ACTIVITY REPORT

Ending December 20, 2013

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SIGNIFICANT ACTIVITY

1. Action Taken In Response to an Investigative Report to Management In False Claims Investigation

On December 13, 2013, the Sandia Field Office (SFO) Manager concurred with two recommendations made in an Investigative Report to Management. As previously reported, the OIG investigation revealed a Department Managing and Operating contractor did not follow Cost Accounting Standards (CAS) over a 4 year period and conducted over \$1.5 million in improper internal cost transfers. The improper cost transfers caused the contractor to violate the terms and conditions of its contract with the Department by knowingly submitting inaccurate CAS Disclosure Statements and Statements of Costs Incurred and Claimed to the Department. Additionally, in response to the Investigative Report to Management, the contractor has implemented internal controls to reduce the likelihood of future cost transfer violations occurring and also now includes a review of cost transfers in self-assessments that are monitored by the SFO and the Office of Field Financial Management. (I03AL022: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

2. Settlement Agreement Reached in Embezzlement Fraud Scheme

On December 17, 2013, the U.S. Attorney's Office for the Northern District of Indiana provided the OIG with a fully executed settlement agreement with Bechtel SAIC, LLC (Bechtel). In the agreement, Bechtel agreed to pay the Federal Government \$209,308.00 to settle civil proceedings. The Government contended that it had certain civil claims against Bechtel arising from kickbacks paid to a former employee of Bechtel. The kickbacks related to purchases of goods used in the Yucca Mountain Project. As previously reported, the former Bechtel employee and another individual not affiliated with the Department pled guilty and were sentenced to 5 months incarceration and 2 years of probation, respectively, and ordered to jointly pay \$42,627.08 in restitution. The investigation determined that both individuals engaged in an embezzlement fraud scheme for personal gain. This is a joint investigation with

(b)(7)(A)

(I08LV003: (b)(6),(b)(7)(C)

3. Subcontractor Agrees To Voluntary Exclusion In Energy Efficiency Rebate Fraud

As the result of an Investigative Report to Management, a subcontractor agreed to a 2 year voluntary exclusion which debars (b)(6), (b)(7)(C) company from being awarded Government contracts for the period of the exclusion. The subcontractor admitted that rebates were received from a Department energy efficiency program funded by the American Recovery and Reinvestment Act, and the subcontractor failed to pass the rebates to customers as required by the program rules. The program provided rebates, through the subcontractor, to customers who installed energy efficient solar panels on their properties. This case was coordinated with the (b)(7)(A) (b)(7)(A) (112HQ014; (b)(6), (b)(7)(C)

CASE INVENTORY

Total Open Cases as of Previous Ending Date	223
Cases Opened This Week	1
Cases Closed This Week	0
Total Open Cases for this Ending Date	224
Cases in Hold Status	0
Cases Pending Closure/Action	4
TCS Case Support	6

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Hotline Contacts	108
Hotline Complaints Predicated	11
Referral Letters Issued	8
Positive Outcomes (Detailed Below)	0

Positive Outcome Details

- None

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- All personnel are encouraged to utilize the Trip Details field of the Travel Authorization in GovTrip to provide a case number(s) for case-related travel and justifications for any uncommon expenses (e.g., non-compact rental car, privately owned vehicle mileage expenses).

JOYS, CARES, CONCERNS

- Please enjoy a safe and happy Christmas Day holiday next week. The Secretary has authorized 3 hours of Administrative Leave for early releases on both December 24 and 31, 2013. Only employees in duty status on those dates are eligible for the Administrative Leave claim.

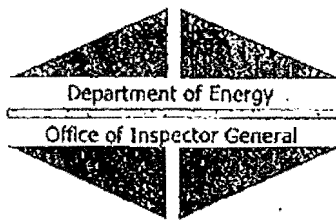
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- All personnel must complete the following online courses no later than January 31, 2014:
 1. DOE Supervisory/Non-Supervisory Performance Management – This course is available through the Online Learning Center.
 2. Introduction to Classified Matter Protection and Control Course – This course is located on the National Training Center website, <http://ntc.doe.gov>. Please send a copy of your training certificate to (b)(6),(b)(7)(C) (b)(6),(b)(7) once completed. (**NOTE:** This course takes longer than most other online courses. Plan accordingly to meet the deadline.)

DISTRIBUTION

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All Office of Investigations Employees

Document Number 5



Weekly Activity Report Office of Audits and Inspections

Ending January 14, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on *Audit Coverage of Cost Allowability for Babcock & Wilcox Technical Services Pantex, LLC during Fiscal Years 2006 through 2009 under Department of Energy Contract No. DE-AC04-00AL66620*, January 11, 2011, OAS-V-11-03, (A10LV017).

- Based on our audit, we concluded that the allowable cost related audit work performed by B&W Pantex Internal Audit from October 1, 2005, through September 30, 2009, substantially complied with the International Standards for the Professional Practice of Internal Auditing and could be relied on. We also found that questioned costs identified in audits and reviews have been adequately resolved.
- While we did not identify any material internal control weaknesses, we noted concerns which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to B&W Pantex. Specifically, we observed that:
 - Internal Audit had not always ensured that workpapers met auditing standards regarding supervisory review; and,
 - B&W Pantex had not arranged for audits of all subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. We identified three subcontracts that incurred \$8,408,155 over Fiscal Years (FY) 2006 and 2007 which we concluded should have been audited. We are reporting these subcontractor costs as unresolved costs pending audit.
- In addition, the National Nuclear Security Administration Field Chief Financial Officer (CFO) has not signed the FY 2009 SCIC, as required by the Department's Accounting Handbook, due to B&W Pantex's non-compliance with Cost Accounting Standard 405, *Accounting for Unallowable Costs*. Because of the lack of attestation by the Field CFO, we will not sign the FY 2009 SCIC until concerns are resolved and the Field CFO signs the SCIC.
- We recommended that the Pantex Site Office manager direct the Contracting Officer to:
 - (1) ensure that B&W Pantex's Internal Audit meets auditing standards related to supervisory reviews; (2) ensure that the subcontract administration procedures are aligned with the DEAR requirements and provide specific guidelines for determining when cost-type subcontracts are subject to a post-award audit; and, (3) require the conduct of, or arrangement for, audits of subcontracts when costs incurred are a factor in determining the amount payable to a subcontractor.
- Management generally agreed with the report and concurred with the recommendations. Management's response included corrective actions to be taken in response to our recommendations along with milestones for completion.

Team Leader: (b)(6)
AIC:
Staff:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT ACTIVITY:

Inspection of Property Accountability and Accounting Controls Under the Cooperative Agreement with the Incorporated County of Los Alamos

On January 13, 2011, an Entrance Conference on the "Inspection of Property Accountability and Accounting Controls Under the Cooperative Agreement with the Incorporated County of Los Alamos" was held at the National Nuclear Security Agency (NNSA) Service Center in Albuquerque. The conference was conducted in conjunction with the Office of Audits, who will be addressing a portion of the Inspection. The conference was held via tele-video, and officials invited to attend were from the Office of Internal Controls, the NNSA Service Center, the Los Alamos Site Office, Los Alamos National Laboratory, and the County of Los Alamos to include the Fire Department. (S111S004; (b)(6))

WEEKLY OPERATIONS STATISTICAL SUMMARY

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

INSPECTIONS' OPERATIONS

Region	Performance Inspections	Allegation-Based Inspections	Other ¹	Totals ²
ERS	6	1	0	7
WRS	5	2	0	7
Total Open Inspections	<u>12</u>	<u>3</u>	<u>1</u>	<u>16</u>

TRAINING:

ACTION ITEM REPORTS ATTACHED:

¹ AdHoc, Special Inquiries and Close Outs.

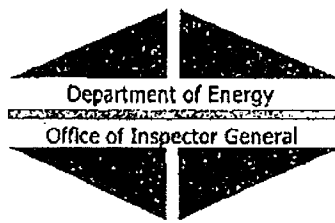
² Includes fieldwork and report drafting

OTHER MATTERS:

JOYS, CARES, CONCERNS:

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Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending January 21, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *"The Department of Energy's Loan Guarantee Program for Clean Energy Technologies,"* January 18, 2011.

The goal of the Department of Energy's (Department) Loan Guarantee Program is to provide Federal support (b)(5)

(b)(5) The Department is authorized to make loan guarantees to accelerate commercial use of new or improved technologies that will help to sustain economic growth, yield environmental benefits, and produce a more stable and secure energy supply. The American Recovery and Reinvestment Act of 2009 temporarily expanded the Program emphasizing loan guarantees for certain renewable energy systems, electric transmission systems and leading edge befouls projects. In total, the Program, one of the largest of its kind, has up to (b)(5) in loan guarantee (b)(5)

As part of its loan guarantee decision-making strategy, the Department instituted a due diligence process, which is designed to examine the viability and legitimacy of potential projects and project borrowers, fully identify technical and financial risks, and evaluate and propose potential risk mitigation strategies. According to Program officials, this process was modeled after a proven system used by other Federal agencies with loan programs. During the due diligence process, the Program develops a risk rating for each loan guarantee application based on its assessment of the technical and financial risks associated with each project and the borrower.

Given the significant amount of funds involved and the level of risk associated with a number of the proposed projects, we initiated this audit to determine whether the Department had established and implemented effective safeguards to manage the Government's risk of loss, while at the same time, identifying potential opportunities to improve loan processing activities.

Our audit disclosed that the Department had taken a number of positive steps to implement the Program. As of the date of the audit, the Program had issued over \$3.9 billion in loan guarantees to eight recipients and had over \$12 billion under conditional commitments for potential future loan guarantees. We found, however, that the Program had not documented the analyses performed during the due diligence process, supporting information that was critical to demonstrating Program transparency and accountability necessary to confirm that identified credit risks were fully addressed and/or mitigated.

We noted that:

- Credit Papers, which summarize the results of the due diligence process, did not set forth the specific analyses performed by the Program and did not include information on how each of the risks identified were mitigated. For one approved loan guarantee, 21 specific risks were initially identified during the due diligence process; however, only 5 of the risks were addressed and/or had mitigating actions described in the Credit Paper.
- Risk ratings, developed during the due diligence process, did not provide details supporting the score assigned to each risk area, nor were the ratings addressed in the Credit Papers. In one case, the Program assigned a score of 2.04 out of 5.00, which categorized the project as "weak." However, the loan approval package did not explain the rationale for approving the loan guarantee despite its "weak" risk rating.
- Loan origination files, required by Federal regulations to contain key documentation to support actions taken by the Program as part of the loan guarantee process, were not maintained in the official electronic information repository. In some instances, they were not maintained at all. Of the 18 projects with loan guarantees or conditional commitments, three of the projects had no documentation in the system and 12 of the projects had only a limited amount of information. Documentation for the remaining three projects was more robust than the others, but still did not contain all of the core information that would be needed to confirm the sufficiency of actions taken by the Department to evaluate the projects.

The Credit Papers, risk ratings and other loan origination documentation are pivotal pieces of information used by decision makers in deciding whether to sustain recommendations to approve or disapprove loan guarantees. They are also used as a basis for determining the key financial requirements of loans.

We found that despite the magnitude of the loan guarantee effort, the Department had not adopted a comprehensive records management system. Although the Program's website references Federal requirements for loan documentation, the Program's policies and procedures did not require a records management system that would have imposed a structure, consistency and discipline in the creation and maintenance of loan documentation. While the Department had adopted a formal information system designed to store important loan records, that system, in the absence of a structured approach to records management, had not been completely populated by Program officials and was, as a result, ineffective.

Additionally, the Program had not included records retention clauses in its agreements with independent advisors and contractors who reviewed and analyzed the technical, financial and marketing conditions of applicants' projects. We were told that such reviews were critical elements in loan decision-making. We reviewed the agreements for independent advisor and contractor services and determined that the terms and conditions did not require that records created be submitted to the Department or retained for a specified period of time. Based on our inquiries, Program officials were, after significant effort, able to collect and assemble a number of contractor generated documents for the loan guarantees we reviewed. These documents, however, were in contractor custody and had never been incorporated in the official electronic record keeping system.

For the loan guarantees that have closed to date, over \$3.9 billion in loan guarantees provided by the taxpayers are at risk. Overall, the program may grant up to \$95.7 billion in additional loan guarantees. As such, ensuring that the Program can readily demonstrate that its actions were appropriate and that all relevant risks were addressed is critical. Therefore, we have made a number of recommendations aimed at improving the management of the Program. Our overall concern is that the Department is able to provide the transparency necessary to ensure that it can readily demonstrate that it gave full consideration to the credit worthiness of its applicants.

Team Leader: (b)(6)
AIC: (b)(6)
Staff:
Staff:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

INSPECTIONS' OPERATIONS

Region	Performance Inspections	Allegation-Based Inspections	Other ¹	Totals ²
ERS	6	1	0	7
WRS	5	2	0	7
Total Open Inspections	<u>12</u>	<u>3</u>	<u>1</u>	<u>16</u>

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

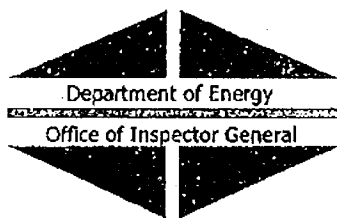
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¹ AdHoc, Special Inquiries and Close Outs.

² Includes fieldwork and report drafting

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Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending January 28, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on the *"Federal Energy Regulatory Commission's Monitoring of Power Grid Cyber Security,"* DOE/IG-0846, January 28, 2011, (A10TG013)

- Congress passed the Energy Policy Act of 2005 (Energy Policy Act), giving the Federal Energy Regulatory Commission (Commission) jurisdiction to conduct oversight of the bulk power system, commonly referred to as the bulk electric system or power grid, including the approval of mandatory cyber security reliability standards. The bulk electric system consists of approximately 1,600 entities operating at 100 kilovolts or higher. The system does not, however, include distribution to end-users, as that function remains under the jurisdiction of state public utility commissions. In July 2006, the Commission, as authorized in the Energy Policy Act, designated the North American Electric Reliability Corporation (NERC) as the Electric Reliability Organization (ERO). As the ERO, NERC has the sole authority to propose reliability standards for the power grid to the Commission for approval. NERC developed Critical Infrastructure Protection (CIP) cyber security reliability standards which were approved by the Commission in January 2008. NERC designated, with the Commission's approval, eight regional entities with responsibility for ensuring compliance with the reliability standards through audits and investigations of the registered entities. The Commission is responsible for maintaining oversight of NERC and its regional entities.
- Security over the Nation's power grid remains a critical area of concern. Recent testimony before Congress disclosed various issues, including the existence of significant vulnerabilities in the power grid's infrastructure and many utilities that were not in compliance with the standards. Because of the importance of its efforts to secure the bulk electric system, we initiated this audit to determine whether the Commission adequately monitored cyber security over the Nation's power grid.
- Although the Commission had taken steps to ensure CIP cyber security standards were developed and approved, our testing revealed that such standards did not always include controls commonly recommended for protecting critical information systems. In addition, the CIP standards implementation approach and schedule approved by the Commission was not adequate to ensure that systems-related risks to the Nation's power grid were mitigated or addressed in a timely manner. In particular:
 - Despite their importance to protecting the power grid, the CIP standards did not include a number of security controls commonly recommended for government and industry systems. In addition, while we recognize that there are inherent delays associated with the current regulatory structure, we found that the timeliness of the standards development and approval process was also impacted because the Commission did not take advantage of existing authority; and,

- The Commission approved an implementation approach and schedule for the CIP standards that did not adequately consider risks to information systems. For example, implementation of technical controls related to system access, patch management, and malware prevention were delayed while documentation requirements were given priority. In addition, all entities were not required to comply with the CIP standards at the same time even though they may have encountered similar threats.

■ We found that these problems existed, in part, because the Commission had only limited authority to ensure adequate cyber security over the bulk electric system. While the Energy Policy Act established the Commission's authority to approve, remand, or direct changes to proposed reliability standards, the Commission did not have the authority to implement its own reliability standards or mandatory alerts in response to emerging threats or vulnerabilities. However, even in situations where authority did exist, the Commission had not always acted to ensure that cyber security standards were adequate. In addition, the Commission had not always effectively monitored how NERC and the regional entities assessed implementation of the cyber security standards.

■ Without improvements, the Commission may not be able to provide adequate oversight to ensure that cyber security vulnerabilities within the power grid are identified and mitigated. Notably, the Commission has participated in a number of reliability standards reviews at entities and continues to work with Congress to obtain authority appropriate for ensuring adequate cyber security over the bulk electric system. Additionally, the Commission has worked with NERC to establish mandatory standards, including providing NERC with numerous directives identifying ways to improve the standards. While these are positive steps, additional action is needed. As such, we have made several recommendations that, if fully implemented, should help improve the overall effectiveness of the Commission's ability to monitor security over the Nation's power grid. Management concurred with three of the recommendations and concurred with the intent of the remaining two recommendations.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Report on "*The Department of Energy's American Recovery and Reinvestment Act – Massachusetts State Energy Program*," January 21, 2011. (A10RA036)

- The Commonwealth of Massachusetts' Department of Energy Resources (Massachusetts) was allocated \$54.9 million in State Energy Program (SEP) funds under the American Recovery and Reinvestment Recovery Act of 2009 (Recovery Act) – a more than 72-fold

increase over its Fiscal Year 2008 SEP grant of \$753,000. Massachusetts planned to use its grant funds to undertake activities that would preserve and create jobs, save energy, increase renewable energy sources, and reduce greenhouse gas emissions. Because of the states' important role in the implementation of the Recovery Act, we initiated this review to determine whether Massachusetts had internal controls in place to provide assurance that the goals of the SEP and Recovery Act will be accomplished efficiently and effectively

- Massachusetts had, for the most part, implemented processes and controls necessary to manage its SEP Recovery Act funding. For example, Massachusetts employed a project selection process designed to accelerate project implementation and achieve SEP Recovery Act goals. This allowed Massachusetts to disburse (b)(5) of its SEP Recovery Act funds by (b)(5)

- However, we found that Massachusetts had not finalized Recovery Act sub-recipient oversight plans and procedures. Specifically, Massachusetts had not completed its plans for site visits to the sub-recipients that received funding directly from Massachusetts. It also had not finalized the selection methodology for visiting the more than 100 entities that received funding from the sub-recipients (referred to as second-level sub-recipients). In addition, Massachusetts had not determined whether additional staff would be required to properly implement its oversight activities.

- We also noted that Massachusetts' obligations were overstated. For example, as of June 24, 2010, Massachusetts' SEP Recovery Act funds were reported as 97 percent obligated even though at least 43 percent, or approximately \$23.8 million, did not have executed contracts in place. While actual obligations have since been brought closer in line with reported obligations, as of September 30, 2010, obligations were still overstated by about 6 percent.

- The concerns addressed in this report can be attributed, at least in part, to insufficient guidance from the Department of Energy (Department). Specifically, the Department did not provide timely guidance pertaining to sub-recipient monitoring. In addition, the Department's initial guidance did not adequately define an obligation. Other factors also contributed to the situations described in our report. In particular, it took longer than anticipated for Massachusetts to finalize the contracts for its projects, a factor that delayed its efforts to implement monitoring guidance. Additionally, the Department's oversight of Massachusetts did not include validation of amounts claimed as obligated.

- We have made a number of recommendations to improve the Department's oversight of the states SEP activities.

Team Leader: (b)(6)
AIC:
Staff:

Draft Audit Report on *"The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act"*, January 21, 2011

- Under the American Recovery and Reinvestment Act of 2009 the Department of Energy's (Department) Geothermal Technologies Program received \$400 million to promote the

exploration and development of new geothermal fields and innovative research into advanced geothermal technologies. This funding represents an almost ten-fold increase over the \$44 million originally appropriated to the Program for that year. As of January 2011, the Department had awarded \$368 million in financial assistance agreements for 135 geothermal technologies projects.

- Recovery Act funding will support projects undertaken by private industry, academic institutions, tribal entities, local governments, and the Department's National Laboratories. The projects, covering activities in 39 states, represent a significant expansion of the U.S. geothermal industry and are intended to create or save thousands of jobs in drilling, exploration, construction, and operation of geothermal power facilities and manufacturing of ground source heat pump equipment.

- (b)(5)
(b)(5) we initiated this audit to determine whether the Department had effectively managed the awards funded under the Recovery Act.

- Our review disclosed that the Department had followed established procedures for the solicitation, merit review, selection and award of geothermal projects. However, we identified weaknesses in project administration that need to be addressed to ensure that the Government's interests are protected, the financial assistance recipients fully comply with Federal requirements, and the goals of the Recovery Act are met. Specifically, our review of six major projects revealed that:

- Five of the six award recipients we audited had been paid about \$110,000 for items that were either expressly unallowable under Federal regulations and award conditions or were questionable. Recipients had claimed and been reimbursed for unallowable costs such as alcohol, excessive travel, and entertainment expenses; as well as for duplicate payments for the same items and other expenses that lacked sufficient supporting documentation; and,
- Five of the six award recipients had not required subcontractors to implement Davis-Bacon Act requirements to pay prevailing wage rates as mandated by the Recovery Act. Subcontract awards account for an estimated 90 percent of the \$57 million in project costs for the five recipients.

- The Department had not established fully effective procedures for monitoring geothermal awards nor had it assigned an adequate level of staffing to monitor the awards. Further, a (b)(5)
(b)(5) Award recipients also indicated that they were uncertain about how Davis-Bacon Act requirements could be applied to their awards.

- Payment of unallowable and questionable expenses reduces the amount of funds available for mission objectives and represents waste and abuse of taxpayer dollars. Accordingly, we are questioning \$110,000 in award payments that need to be resolved by the Department's contracting officer. (b)(5)
(b)(5)

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on January 25, 2011 for the Audit of the Department of Energy's (Department's) Protective Force Training Facilities. In attendance were representatives from the Department's Office of Environmental Management, Office of Health, Safety and Security, the National Nuclear Security Administration, Wackenhut Services Incorporated, Lawrence Livermore, Los Alamos and Sandia National Laboratories, Y-12 National Security Complex, Nevada National Security Site, Pantex Plant, Hanford Site and the National Training Center.
 - An entrance conference was held on January 27, 2001, for the Audit of the Contractor Assurance Systems at National Nuclear Security Administration Sites. The audit objective is to determine whether NNSA sites have fully implemented contractor assurance systems. Representatives from headquarters, the Nevada National Security Site, Sandia National Laboratories, and Los Alamos National Laboratory were in attendance.
-

RECOVERY ACT INFORMATION:

SIGNIFICANT ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY

ANNOUNCEMENT OF NEW INSPECTIONS:

Alleged Misuse of ARRA Weatherization Funds by the Western Arizona Council of Governments (WACOG)

■ The Office of Inspections has initiated a new inspection regarding the "Alleged Misuse of ARRA Weatherization Funds by the Western Arizona Council of Governments" (WACOG). As part of the Recovery Act, WACOG has received about \$5.9 million in funding to weatherize homes in the three western most counties in Arizona. These counties include the cities of Yuma and Kingman, Arizona. In the anonymous allegation provided to the Office of Inspector General Hotline, it was alleged among other things, that WACOG was spending Recovery Act funds on allowable or wasteful items, that competition among contractors was not done on a fair basis, that billing for units completed was not accurate, that Davis-Bacon regulations were not properly followed and that procurement and inventory problems exist. (SI IIS005, (b)(6))

NO FURTHER ACTION LETTER ISSUED:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

INSPECTIONS' OPERATIONS

Region	Performance Inspections	Allegation-Based Inspections	Other ¹	Totals ²
SPO	0	0	4	4
ERS	5	0	0	6
WRS	5	3	0	8
Total Open Inspections	<u>10</u>	<u>4</u>	<u>4</u>	<u>19</u>

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

¹ AdHoc, Special Inquiries and Close Outs.

² Includes fieldwork and report drafting

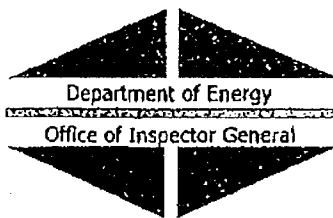
■ On January 24, 2011, the Office of Inspections briefed the Deputy Inspector General for Audits and Inspections and the Assistant Inspector General for Inspections on the potential findings and recommendations for three inspections that are currently in the report drafting phase:

- *Waste Disposal at the Oak Ridge Reservation.* Lead Inspector D. Jones identified three potential findings related to contract administration, productivity and safety. (S10IS003)
- *Follow-Up on Lawrence Livermore National Laboratory's Security Clearance Termination Procedures* (b)(6) concluded that the laboratory continues to experience internal control weaknesses in its security clearance termination procedures. (S10IS008)
- *Implementation of Nuclear Weapons Quality Assurance Requirements at Los Alamos National Laboratory.* (b)(6) identified problems with frequently cited weaknesses in major quality management topical areas. (S10IS001)

JOYS, CARES, CONCERNS:

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Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending February 4, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Report on The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures, OAS-RA-11-04, February 1, 2011, (A10RA056)

- The report presents the results of an agreed-upon procedures review of the Department of Energy's (Department) Weatherization Assistance Program for the Capital Area Community Action Agency, located in Tallahassee, Florida under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Office of Inspector General (OIG) engaged an independent certified public accounting firm, Otis and Associates, PC, to perform the agreed-upon procedures for Capital Area, a sub-recipient of the Department's Recovery Act Weatherization funding for the State of Florida.
- The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Assistance Program was implemented to reduce energy consumption for low-income households through energy efficient upgrades. The State of Florida received \$176 million in Weatherization Assistance Recovery Act grant funding, of which \$7.5 million was allocated to the Capital Area Community Action Agency. The Florida Department of Community Affairs was responsible for administering Weatherization grants, including sub-grants provided to the Capital Area. This grant provided more than a seventeen-fold increase in funds available to Florida for weatherization over the amount authorized in Fiscal Year 2009.
- The review identified opportunities for the State and Capital Area Community Action Agency to improve their administration of Recovery Act funds made available by the Department's Weatherization Assistance Program. In particular, the review found that the State's guidelines for verifying that homes had not been weatherized after September 30, 1994 were not consistent with Department regulations. Specifically, the State required community action agencies such as Capital Area Community Action Agency to search a centralized data system that could only be searched by the applicant's social security number and not by the address of the home/unit to be weatherized. Additionally, the data system only contained homes/units that had been weatherized for the last ten years. Consequently, there was a risk that homes would be improperly re-weatherized since searches would only identify (a) applicants who had received weatherization assistance and not the weatherized home/units, and, (b) applicants who received assistance since 2001.

- The review also determined that one of the 30 weatherization assistance recipients tested did not meet the income eligibility requirements for the Weatherization Program due to a calculation error. The weatherization costs of \$3,502 incurred for the unit were questioned and in response, Capital Area reimbursed the State of Florida.
- The State of Florida and the Capital Area Community Action Agency provided responses that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. In discussions with the Office of Inspector General, Office of Energy Efficiency and Renewable Energy management agreed to address the issues in this report as part of their ongoing monitoring of the State of Florida's Weatherization Assistance Program and to promptly resolve all questioned costs identified.
- To its credit, the Florida Department of Community Affairs stated that it has directed all provider agencies that do have Weatherization data pre-dating the State system to retain that data back to 1994 and to use it for purposes stated in the audit. Further, the State has directed its support contractor to incorporate a query in the system to allow for checking of the dwelling address against the data sorted in the system in addition to the client check that already exists. The State also responded that it had recovered the questioned costs from the Capital Area Community Action Agency.

Audit Team: Otis and Associates, PC

Technical Monitoring: (b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held at Headquarters on January 31, 2011, to discuss the audit of *The Department of Energy's Implementation of Renewable Energy Projects* (A11OR006). At the entrance conference were representatives from the Office of Energy Efficiency and Renewable Energy, Office of Science, Office of Environmental Management, National Nuclear Security Administration, Western Area Power Administration, and the National Renewable Energy Laboratory. The purpose of the audit

is to determine whether the Department has an effective renewable energy plan to achieve the renewable energy requirement, as stipulated in the Energy Policy Act of 2005. In attendance from the Office of Inspector General were

(b)(6)

(b)(6),(b)(7)(C)

RECOVERY ACT INFORMATION:

SIGNIFICANT ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY

ANNOUNCEMENT OF NEW INSPECTIONS:

Special Report on *Energy Annex, Emergency Support Function 12' to the National Response Framework*, DOE/IG-0847, January 31, 2011

- We found that the Department of Energy (Department) had completed a number of actions designed to prepare it to implement an effective response to incidents and disasters. Specifically, Departmental personnel had participated in major coordination efforts, made readiness assessments in response to Hurricane efforts, implemented short and long-term incident management and recovery efforts, and maintained financial accountability. We did, however, identify an opportunity to improve preparedness by ensuring that responders receive required training prior to participating in exercises or actual emergency situations. Specifically, we determined that a number of coordinators and volunteers may not have received required training prior to deployments. We made no formal recommendations to management since corrective actions were initiated to resolve the training issues.

(S10IS004; (b)(6)

NO FURTHER ACTION LETTER ISSUED:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

INSPECTIONS' OPERATIONS

Region	Performance	Allegation-Based	Other ¹	Totals ²
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¹ AdHoc, Special Inquiries and Close Outs.

² Includes fieldwork and report drafting

	Inspections	Inspections		
SPO	0	0	4	4
ERS	5	0	0	6
WRS	5	3	0	8
Total Open Inspections	<u>8</u>	<u>5</u>	<u>0</u>	<u>13</u>

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

■ Iris Curtis joined the Energy Audits Division on January 17, 2011 as an Auditor working in our Headquarters office. Iris earned a Bachelor's Degree in Accounting from Lane College, Jackson, Tennessee. Iris joins us from Federal Energy Regulatory Commission where she worked as a Field Auditor and an Energy Industry Analyst in the Market-Based Rates section. Iris also owned an Interior Decorating business for several years. Outside of work, Iris enjoys travelling, swimming, horseback riding and spending time with her daughter.

■ Shola Epemolu joined the Energy Audits Division in Headquarters on January 17, 2011. Shola has a Bachelor's Degree in Accounting from the University of Maryland, Eastern Shore and a Masters of Business Administration from the University of Maryland, University College. Shola joins us from the Universal Service Administrative Company where she worked as an Internal Auditor. Prior to USAC, Shola worked at Delotte and Touche serving as an Auditor-In-Charge for several Financial Statement audits. In her spare time, Shola enjoys cooking, reading, and meeting new people.

■ Reza Sepchri joined the Energy Audits Division on January 31, 2011 as an Auditor working in our Germantown office. Reza earned his Bachelor's degrees in Accounting and Finance from Iowa State University, Ames, Iowa. Reza joins us from Iowa's Auditor of State Office where he worked as a staff auditor. Outside of work, Reza enjoys travelling and spending time outdoors.

■ Ana Soumare joined the Energy Audits Division on January 17, 2011 as an Auditor working in our Germantown office. Ana earned a Masters Degree in Accounting with a focus in Internal Audit from the Robert Smith Business School of the University of

Maryland. Ana joins us from the private sector where she worked with PAE Group, BearingPoint/Deloitte, Chemonics International, and Ronco Consulting. Ana is fluent in French and has a basic knowledge of German. She enjoys swimming, cooking, spending time with her family and reading articles from the Institute of Internal Auditors. Ana is working toward her CPA.

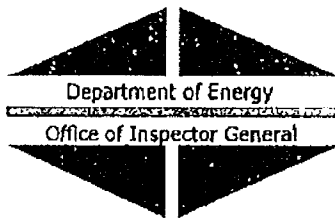
- The Germantown Corporate Audit Group would like to welcome their new Auditor, James McKeon. James joins us from the Pennsylvania National Guard. At the age of 19 he joined the USAF and served on active duty for approximately 3 years as an Aircraft Technician on the F-15E fighter jet. After those 3 years, he joined the Pennsylvania Air National Guard and continued to work as an Aircraft Technician on the A-10A fighter jet. During this time James went to school at Temple University in Philadelphia and received a Bachelor's Degree with a double major in Accounting and Finance. He has been deployed twice: six months in Qatar and five months in Baghdad. Collectively, he has served in the military for more than nine years. James just recently came to Germantown from Effort, Pennsylvania, which is located in the Poconos. In his free time, James enjoys watching sports, movies, going to concerts, vacationing, and experimenting with new kinds of food/restaurants.

- The Office of Inspections wishes to welcome Phil Holbrook, Jr. to our Oak Ridge office. Phil will serve as the Team Lead for the Eastern Region's satellite offices--Oak Ridge and Savannah River. Phil has over 18 years in Federal service as an auditor with various Office of Inspector General type organizations. In his most recent position, he served as an Audit Director with the Naval Audit Service in Washington, DC. Phil holds a Bachelor's Degree in Accounting from East Tennessee State University and a Master Degree in Information Systems from Strayer University. Please join us in welcoming Phil to the Office of Inspector General.

JOYS, CARES, CONCERNS:

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Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending February 11, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on *Management of Controlled Substances at Lawrence Livermore National Laboratory*,
INS-O-11-01, February 10, 2011, (S10IS002)

- Lawrence Livermore National Laboratory (Livermore) maintains 42 controlled substances, including drugs such as black tar heroin, cocaine, phencyclidine (PCP) and steroids under three business activities registered to possess controlled substances: Researcher for bio-medical research; Health Clinic for medical treatment of Livermore personnel; and, Analytical Lab for forensic science work. Because of potential safety and health risks, the Office of Inspector General initiated this inspection to determine whether Livermore was appropriately managing controlled substances to prevent misuse or misappropriation.
- We found that, with the exception of the Health Clinic, Livermore was not appropriately managing its controlled substances in accordance with Federal regulations and Department of Energy policy intended to prevent misuse or misappropriation. Specifically, our testing revealed that Livermore could not accurately account for quantities received, distributed, used or on hand for at least 6 of the 33 controlled substances in the possession of the Analytical Lab; and, despite requirements to the contrary, Livermore failed to segregate accounting for substances listed on different schedules and under different business activities.
- We shared an initial draft of this report with the Livermore Site Office (Site Office) to obtain technical comments on the findings identified. In response, the Site Office stated that controls were being implemented immediately to mitigate the risks identified in this report. To help ensure that the safeguards being developed are adequate, we made several recommendations designed to improve the accountability over controlled substances at Livermore. NNSA management concurred with the report recommendations and agreed that there is a need for a rigorous system of controls for managing the inventory of controlled substances.

Lead Inspector:
Inspector:
Team Leader:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Report on *Management of the Tank Farm Recovery Act Infrastructure Upgrades Project*,
February 9, 2011, OAS-RA-L-11-03 (A10RA043)

- As part of the *American Recovery and Reinvestment Act of 2009* (Recovery Act) the Department of Energy (Department) awarded Washington River Protection Solutions (WRPS) approximately \$324 million to accelerate completion of infrastructure upgrades for the Hanford Site's tank farms during the fiscal year 2009-2011 timeframe. These funds were applied to the existing contract with WRPS to manage the operations and construction activities necessary to store, retrieve, treat and dispose of the 53 million gallons of Hanford tank waste. In light of the importance of these activities and the amount of funding involved, we initiated this audit to determine whether the Department had used Recovery Act funds to achieve the goals and objectives for tank farm infrastructure upgrades.
- We found that the projects selected for Recovery Act funding supported the goal of ensuring that infrastructure and waste feed delivery systems were upgraded. In addition, WRPS was on schedule to complete the Recovery Act work scope and had spent \$22.4 million less than estimated for the work completed as of November 21, 2010. Specifically, WRPS had completed \$199 million of the total estimated work scope, at an actual cost of \$176.6 million. Furthermore, WRPS projects that it will finish the current Recovery Act work scope at approximately \$9 million under budget. As a result, additional projects have been added through contract modification to utilize the remaining Recovery Act funds.
- Although the Recovery Act funded work was being delivered on schedule and under budget, we were unable to verify that the use of these funds actually accelerated overall project completion. Both the project baseline and WRPS's original contract proposal lacked sufficient detail to allow us to differentiate between original project work scope and any new work scope funded by the Recovery Act. Without additional project descriptions and costs, management could not support, and we were unable to determine whether the Recovery Act funded work represented an acceleration of work called for in the project baseline or contract proposal. Because the level of detail necessary to trace project costs as needed for the Recovery Act was not foreseen when the original contract was awarded and cannot be objectively recreated at this time, we did not make any specific suggestions or recommendations to address this matter.

Team Leader: (b)(6)
AIC:
Staff:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Report on "*The Department of Energy's Energy Conservation Efforts*", OAS-L-11-02, February 9, 2011, (A10OR007)

- The Energy Independence and Security Act of 2007 (EISA) requires Federal agencies to apply energy efficiency measures to Federal buildings so that by Fiscal Year (FY) 2015, each agency's energy intensity is reduced by 30 percent from the baseline established in

FY 2003. If the Department of Energy (Department) achieves the 30 percent energy conservation requirement in FY 2015, its energy consumption would be reduced by nearly 7 trillion BTUs, resulting in a savings of nearly \$80 million annually. The Department's approach to meeting its EISA requirement has been to rely, to the maximum extent possible, on its individual sites obtaining third-party financing agreements, known as Energy Savings Performance Contracts (ESPCs), to fund energy conservation projects. Because of the Department's commitment to reduce energy consumption, we initiated this audit to determine whether the Department had developed an effective approach for meeting EISA's energy intensity reduction requirement.

- The Department's current approach was not sufficient to permit it to achieve the EISA imposed energy conservation requirement. At the time of our review, Department sites had cumulatively planned only enough conservation measures projected to reduce the Department's energy intensity by only 22 percent by FY 2015.
- We found that not all of the Department's sites could successfully manage or pursue ESPCs to meet the energy conservation requirement. Specifically, we found that several sites, including Lawrence Livermore National Laboratory (LLNL) and SLAC National Accelerator Laboratory (SLAC), had not pursued or implemented ESPCs because they were determined to be not economically viable. In the absence of ESPCs, Department sites had difficulty securing appropriated funds to support their energy conservation efforts. Officials at both SLAC and Los Alamos National Laboratory told us that they had been unable to obtain funds to implement energy conservation measures due to competing mission priorities.
- While we recognize that funding for energy conservation projects must compete with mission needs for increasingly scarce Federal resources, we noted in the past the Department lacked a systematic approach to funding energy conservation measures.
- In September 2010, the Department established a Strategic Sustainability Performance Plan (Sustainability Plan) as required by Executive Order 13514 on *Federal Leadership in Environmental, Energy, and Economic Performance*. This order called on Federal agencies to improve their energy efficiency and achieve target reductions in greenhouse gas emissions. The strategies described in the Sustainability Plan, if fully implemented, should advance the resolution of the issues identified in this and our previous reports, and help the Department meet the EISA mandate.

Team Leader:

AIC:

Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Draft Audit SCIC Report on "Audit Coverage of Cost Allowability for UChicago Argonne, LLC under Department of Energy Contract No. DE-AC02-06-CH11357 for Fiscal Year 2009," February 8, 2011, (A10CH014)

(b)(5)

Specifically, we observed that:

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Team Leader:
AIC:
Staff:

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FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held at Headquarters on February 10, 2011, to discuss the audit of *The Management of Post-Recovery Act Workforce and Operational Activities at Office of Environmental Management Sites* (A11RA024). At the entrance conference were representatives from the Office of Environmental Management (EM) and multiple EM sites. The purpose of the audit is to determine whether EM management had developed an effective plan to transition its Recovery Act workforce as Recovery Act funds are expended. In attendance from the Office of Inspector General were (b)(6)

(b)(6)

RECOVERY ACT INFORMATION:

OTHER INSPECTION ACTIVITY:

- A Decision Briefing was held on February 8, 2011, concerning "Alleged Violation of Executive Order 12333 on U.S. Intelligence Activities" (S11IS003). The objective of the inspection is to determine whether Executive Order 12333 and/or related procedures were violated by Counterintelligence (CI) officials and/or staff at multiple Department of Energy locations. Specifically, it was alleged that CI officials collected, retained and disseminated information on U.S. Persons via Spot Reports without a foreign nexus. Based on our preliminary field work, a decision was made to brief the Inspector General during the week of February 14th. (S11IS003, Jones)

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

Continuity of Operations and Intelligence Readiness (COOP)

- On February 8, 2011, the Office of Inspections announced an inspection of the "Continuity of Operations and Intelligence Readiness (COOP)". The objective of the inspection is to assess the COOP capability and readiness of the Office of Intelligence and Counterintelligence. The inspection is being conducted in conjunction with the Intelligence Community Inspectors General to determine COOP capability and readiness of operations funded by National Intelligence Program. We are coordinating with Audits to include the results included in its Report on *Improvements Needed in the Department's Emergency Preparedness and Continuity of Operations Planning*, DOE/IG-0845, January 2011. Also, we are in the process of scheduling an entrance conference. (S11IS006)(b)(6)

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

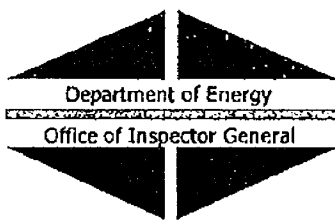
OTHER MATTERS:

JOYS, CARES, CONCERNS:

(b)(6) ■ Congratulations to Jeff Nelson of the Energy Audits Division (Pittsburgh) and his wife
(b)(6) on the birth of their (b)(6)
(b)(6) Jeff, baby
(b)(6) are all doing well.

Distribution:

Inspector General
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Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending February 18, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on "*K Basins Sludge Treatment Project at the Hanford Site*", February 17, 2011
(A09RL036)

- The Department of Energy's (Department) Richland Operations Office (Richland), is required by statute to retrieve, treat and package for disposal an estimated 28.5 cubic meters of radioactive sludge from the Hanford Site K Basin. The Department's former prime contractor for the K Basins Sludge Treatment Project, Fluor Hanford, Inc. (Fluor), subcontracted with British Nuclear Group America (BNGA), to design and fabricate a modular system known as the Contractor's Stabilization and Packaging System (CSAPS). This system was to retrieve, oxidize, and package the sludge to meet the Department's Waste Isolation Pilot Plant waste acceptance criteria for disposal. We performed this audit to follow up on our prior audit and to determine whether the Department effectively managed the sludge treatment phase of the Spent Nuclear Fuel project.
- Our review disclosed that the sludge treatment phase of the Spent Nuclear Fuel project had not been effectively managed. Specifically, the Department did not require Fluor and its sub-contractor to implement key project management principles, the lack of which ultimately lead to abandonment of the planned approach after three years of effort and the expenditure of about \$43 million for the CSAPS. We also found that Fluor did not follow Federal Acquisition Regulations when they paid \$1 million in fee to BNGA that was not tied to any performance objectives but appeared to be for contract closeout.
- The unsuccessful attempt to dispose of the K Basin sludge was due to the Department's inadequate management oversight of the project by the Department. Because of its focus on meeting schedule, Richland did not ensure that contractors followed requirements and best business practices that would have mitigated project risk and help ensure that substantial cost and time were not wasted in constructing an unacceptable nuclear facility. Project management, quality assurance, and contract management weaknesses directly contributed to the failed design and fabrication efforts. Specifically, Richland did not:
 - Implement key project management principles and best practices designed to mitigate project risk;
 - Require Fluor to adhere to policies and procedures that reduce safety risk and ensure that equipment met technical specifications. Richland permitted Fluor to procure equipment for the K Basins Sludge Treatment Project, without first determining whether the safety performance of the equipment was technically feasible or in the best interest to the Department; and,
 - Adequately manage the contract for the K Basins Sludge Treatment Project. Richland approved Fluor's contract strategy to subcontract the entire sludge

treatment phase to a subcontractor without requiring adequate oversight from either Fluor or Richland.

- This project provides a number of valuable lessons learned. Accordingly, we made several recommendations to improve current and future management of Environmental Management projects. Also, this report should be taken into consideration during Fluor's contract closeout negotiations.

Team Leader: (b)(6)
AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

OTHER INSPECTION ACTIVITY:

Coordination Draft Inspection Report Issued

- On February 15, 2011, the Office of Inspections issued a Coordination Draft Inspection Report on "Organizational Conflicts of Interest Program at Sandia National Laboratories."

- The Department of Energy's (Department's) Sandia National Laboratories (Sandia) is a multi-program national security laboratory managed and operated under contract by Sandia Corporation, a subsidiary of Lockheed Martin Corporation (LMC). Under the terms of its management and operating contract with the Department's National Nuclear Security Administration (NNSA), Sandia is designated as a Federally Funded Research and Development Center (FFRDC). In performing its various research related activities, Sandia has special access to a wide variety of government proprietary information.
 - Pursuant to Federal Acquisition Regulation (FAR) 35.017, *Federally Funded Research and Development Centers*, and other contractual provisions, Sandia is obligated to protect proprietary data, act with independence and objectivity, and perform in a manner free from any Organizational Conflicts of Interest (OCI). Because of the importance of ensuring independence and objectivity, we initiated this inspection to determine whether the OCI Program at Sandia complied with contractual requirements.
 - Our inspection revealed that Sandia, in a number of instances, had not taken the actions necessary to ensure that potential or actual organizational conflicts of interests were identified. Although specifically required by Federal Regulation and contractual provisions, we found that Sandia had not completed a number of OCI related activities. We made eight recommendations to the Manager, Sandia Site Office.
 - The Coordination Draft was sent to the Manager, Sandia Site Office and the Director, Office of Internal Controls, NA-66, for informal comments. We asked to receive all Coordination Draft comments within 5 working days, after which we will prepare the Official Draft Report. (S10IS006, (b)(6))
-

- A Message Meeting was held on February 15, 2011, concerning "Suspect Parts for Sun Microsystems Processors at Sandia National Laboratories-New Mexico." The objective of the inspection was to determine if Sandia National Laboratories-New Mexico purchased suspect computer parts that were installed in Sun Microsystems (Sun) Processors from 2004-2010. Specifically, it was alleged that if any Sun products provided to the Laboratory by Commercial Data Systems were not purchased from a particular distributor of Sun products, then there was a very high probability that the products in question were purchased on the "Grey Market." Based on our field work, we did not find any evidence that substantiated the allegation and a decision was made to prepare a Letter Report. (S10IS015, (b)(6))
-

- A Message Meeting was held on February 17, 2011, concerning "Management of Explosives at Selected Department Sites." The objective of the inspection was to determine whether munitions at selected Department of Energy sites are being safely stored and handled. We identified three potential findings and three observations regarding explosives inspection and handling, risk assessment, site plans, accountability, combustible material, and fire symbols. Based on our field work, a decision was made to conduct an additional interview regarding explosive policy and to begin the report writing phase of this inspection. (S10IS012, (b)(6))
-

- An Entrance Conference was held on February 16, 2011, concerning "Continuity of Operations (COOP) and Intelligence Readiness." The objective of the inspection is to assess Office of Intelligence and Counterintelligence's (IN) COOP capability and readiness. Inspection staff met with representatives from IN, National Nuclear Security Administration, and the Office of Management. (S11IS006, (b)(6))
-

- An Entrance Conference was held with the State of Arizona Commerce Authority, the responsible entity for managing the Arizona weatherization program, on February 16, 2011, for the purpose of gaining information regarding an allegation of misuse of ARRA funds. The inspection is titled, Alleged Misuse of ARRA Weatherization Funds by the Western Arizona Council of Governments. (S11IS005, (b)(6))
-

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

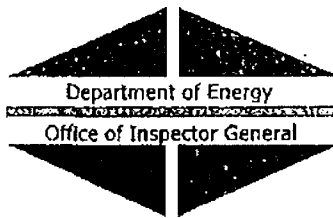
OTHER MATTERS:

- NNSA & Science Audits Division would like to welcome Adeline Agbedo and Michael "Chris" Magee to the Y-12 Audit Group.
- Chris earned his undergraduate degree in Accounting at Iowa State University and has worked in banking and manufacturing. Chris and his wife (b)(6) have three children and are looking forward to settling into East Tennessee.
 - Adeline Agbedo relocated from Stuttgart, Germany to work with the Office of Inspector General; she couldn't pass up this opportunity. She completed her undergraduate degree in Accountancy at National University, California. She has a (b)(6) (b)(6) and an active duty husband both currently living in Germany.

JOYS, CARES, CONCERNS:

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Weekly Activity Report
Office of Audits and Inspections

Ending February 25, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

*Draft Audit Report on "Solar Technology Pathway Partnerships Cooperative Agreements,"
February 24, 2011 (A10DN001)*

- The Department of Energy's (Department) Office of Energy Efficiency and Renewable Energy established the Solar Technology Pathway Partnerships (Solar TPP) program as part of an effort to make solar energy cost-competitive with conventional forms of electricity by 2015. (b)(5)
(b)(5)
(b)(5) To implement the program, the Department, beginning in 2007, established cooperative agreements with 12 for-profit financial assistance recipients who in turn established partnerships with universities, non-profit organizations, and the Department's national laboratories. To date, cooperative agreements with 9 of the 12 original recipients remain active. Of the three cooperative agreements that had been discontinued, two were terminated due to concerns about their viability and the other recipient withdrew before beginning work.
- As of June 2010, the Department had reimbursed about \$120 million in costs incurred by the 11 recipients who actually began work, just over 80 percent of total program awards of \$147 million. The Department reported that it was responsible for financial oversight, including review of indirect cost proposals and implementation of audit requirements, for 7 of the 11 recipients. Because they provided the majority of total direct funds, financial oversight of the remaining four recipients was assumed by other Federal agencies.
- Because of the size of Solar TPP awards and the importance of the program to achieving national energy goals, we initiated this audit to determine if the Department had effectively managed the program's award, technical monitoring and cost reporting processes.
- We noted that the Department had developed and implemented controls designed to ensure that Solar TPP projects were awarded in compliance with applicable regulations and were making adequate technical progress. Our testing, however, revealed that the Department's financial monitoring of the \$120 million expended for these projects was not always adequate. Specifically, the Department had neither ensured that recipients complied with audit requirements nor requested audits of costs incurred by recipients.

■ Even though the Solar TPP program had expended approximately \$120 million as of June 30, 2010, the Department had not:

- Ensured that recipients had independent audits of their internal control structures and their compliance with applicable laws and regulations as required by Federal regulations (10 CFR 600.316);
- Obtained and reviewed recipients' cost reports to determine the allowability of costs as required by Federal regulations (10 CFR 600.317); and,
- Requested cost allowability audits for any of the seven recipients for which it was responsible and had not ensured that the responsible agencies for four other recipients had arranged for audits.

■ The lack of compliance with the requirement for annual internal control and compliance audits was caused by insufficient Departmental guidance concerning audits of for-profit organizations receiving financial assistance. Although the cooperative agreements reference the Federal regulations, they do not specifically explain the audit requirement, provide guidance about how the audits are to be conducted, or include the audits in the checklist of required documentation to be submitted by the recipients. Program officials acknowledged that they had not required recipients to conduct internal control and compliance audits, citing the lack of guidance.

■ In the absence of timely financial oversight, there is an increased risk that recipients will not have adequate controls in place to ensure compliance with applicable laws, regulations, and award requirements. There is also an increased risk that recipients will incur unallowable or unnecessary costs. Additionally, as we have noted in previous audits, delays in conducting audits increase the risk that recipients will be unable to produce documentation supporting their costs, thereby preventing costs from being audited.

Team Leader:
AIC:
Staff:

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LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

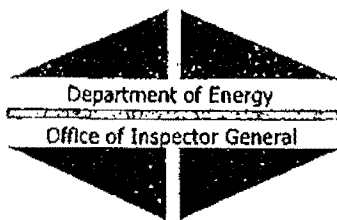
OTHER MATTERS:

JOYS, CARES, CONCERNS:

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Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
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Division Directors

Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending March 4, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on *"The Department of Energy's Loan Guarantee Program for Clean Energy Technologies"*, DOE/IG-0849, March 2, 2011

- As of December 2010, the Department of Energy's (Department) Loan Guarantee Program (Program) for Clean Energy Technologies had issued over \$3.9 billion in loan guarantees to 8 recipients and had conditional commitments for an additional \$12 billion in loan guarantees. We initiated the audit to determine whether the Department had implemented effective safeguards to manage the Government's risk of loss and to identify opportunities to improve loan processing activities.
- We found that the Program could not always readily demonstrate, through systematically organized records, including contemporaneous notes, how it resolved or mitigated relevant risks prior to granting loan guarantees. Despite a number of positive actions on the part of Program officials, we noted that:
 - Decision documents summarizing the results of the due diligence and risk assessment processes did not always describe actions Program officials told us they took to address, mitigate and/or resolve risks; and,
 - Loan origination files, which according to Federal regulations are to contain key documentation to support actions taken as part of the loan guarantee process, were not maintained in the Program's official electronic information repository. Of the 18 projects with loan guarantees or conditional commitments, there was no information archived in the electronic system for 3 of the projects. The system included only limited data for 12 additional projects. Documentation for the remaining three projects was more robust, but did not include all of the information necessary to describe the actions taken to evaluate the applicant's credit worthiness and/or the risks associated with the projects.
- As noted in the Program's established policies and procedures, records describing the due diligence and risk assessment process are pivotal pieces of information used to approve or disapprove loan guarantees. Our review of current Federal policy promulgated by the U.S. Department of Treasury and the Office of Management and Budget (OMB) and general business practices, specifically concerning the all important issues of accountability and transparency, confirmed that the maintenance of complete and accurate records, including contemporaneous decision notes, is vitally important to (a) protect the legal and financial rights of the Government over the life of the loan guarantees; (b) ensure continuity and consistency in the administration of the Loan Guarantee Program; (c) assist current managers and their successors in making informed decisions; and, (d) provide a reliable source for information needed to respond to inquiries from the OMB, the Congress, financial management agencies, and other oversight bodies.

■ As our audit findings evolved and management was made aware of the status of our review, Program officials acknowledged the need to develop and implement a sound records management system to enhance the transparency of the decision-making process and to update loan related policies and procedures. For example, we were told by a senior official that, as a result of our audit, a comprehensive review of the Program's policies and procedures was underway. Also, the Program had recently retained a Chief Operating Officer. The Chief Operating Officer told us that one of his key objectives was to develop a records management program. Finally, Program officials indicated that they had initiated procedures to document the disposition and closure of all risks identified during the due diligence process.

■ Management generally agreed with the recommendations. We considered management's planned actions with regard to our recommendations to be generally responsive.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

Report on "Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC under Department of Energy Contract No. DE-AC07-05ID14517 during Fiscal Year 2009", OAS-V-11-04; March 1, 2011

■ Based on our audit, nothing came to our attention to indicate that the allowable cost related audit work performed by Battelle Energy Alliance LLC's (Battelle) Internal Audit did not meet Institute of Internal Auditors (IIA) Standards and could not be relied upon. Further, Battelle did not conduct any audits of subcontractors where costs incurred were a factor in determining the amount payable to the subcontractor because there were no subcontracts requiring audit under its policy. We noted that during the Fiscal Year (FY) 2009 Cost Allowability Review, Internal Audit identified \$2,753.71 in unallowable costs and \$42,218.34 in questioned costs. In addition, an Internal Audit review of Packaging and Transportation also identified \$1,572.80 in unallowable costs and \$37,480.25 in questioned costs. All of these unallowable costs and questioned costs were appropriately reported and resolved to the satisfaction of the Contracting Officer.

■ We identified no other audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for FY 2009.

Team Leader: (b)(6)

AIC:

Report on "Audit Coverage of Cost Allowability for Battelle Memorial Institute during fiscal year 2009 under Department of Energy Contract No. DE-AC05-76RL01830", OAS-V-11-05; March 2, 2011; (A11RL029)

■ Since 1965, Battelle Memorial Institute (Battelle) has operated the Pacific Northwest National Laboratory (PNNL) under contract with the Department of Energy (Department). PNNL, in the Department's Office of Science, performs research and innovations in the

areas of environmental protection and clean up, energy resources, and national security. PNNL is managed under a performance-based management contract, through September 30, 2012. During Fiscal Year (FY) 2009, Battelle expended and claimed \$907,201,560.79.

■ To help ensure that audit coverage of cost allowability was adequate for FY 2009, the objectives of our audit were to determine whether:

- Internal Audit conducted a cost allowability audit that complied with professional standards and could be relied upon;
- Battelle conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and,
- Questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews have been adequately resolved.

■ Based on our audit, we concluded that the allowable cost-related audit work performed by PNNL's Internal Audit substantially complied with the Institute of Internal Auditors Standards and could be relied upon. Further, PNNL had conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to the subcontractor.

■ We are questioning costs totaling \$144,929.99 that were identified in prior audits and reviews and have not been resolved. We observed that PNNL's Internal Audit identified \$69,418 of questioned costs and unallowable costs of \$80 in their FY 2009 allowable cost audit. Internal Audit identified an additional \$64,378.72 of questioned costs during audits of procurement credit cards, executive expenses, payroll and cost recovery. The questioned costs identified by Internal Audit in FY 2009 were reported to the Contracting Officer but have not been resolved. The Contracting Officer also has yet to make a determination regarding \$11,053.27 of questioned costs for FY 2008 identified in *Report on Audit Coverage of Cost Allowability for Battelle Memorial Institute under Department of Energy Contract Number DE-AC05-76RL01830 during Fiscal Years 2007 and 2008* (OAS-V-10-17, August 2010).

Team Leader: (b)(6)
AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Report on "The Department's Infrastructure Modernization Projects under the American Recovery and Reinvestment Act of 2009", March 2, 2011, OAS-RA-L-11-04, (A10RA032)

- The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted on February 17, 2009. The goals of the Recovery Act are to retain or create jobs, increase economic efficiency, and invest in infrastructure that will provide long-term economic benefits. The Recovery Act provided just over \$36 billion for the Department of Energy (Department), including \$198 million to be used by the Office of Science (Science) for infrastructure modernization initiatives. Science officials stated that modernization was needed to many Department laboratories, offices, and other facilities due to their age. Accordingly, we initiated this audit to determine if the Department is efficiently and effectively managing its Recovery Act infrastructure modernization projects.
- Our review of nine projects at the Oak Ridge National Laboratory (ORNL) and the Lawrence Berkeley National Laboratory (LBNL) found that both sites generally employed required project management practices and the projects were meeting their cost and schedule baseline estimates. The projects also generally complied with various Recovery Act requirements and properly reported the jobs created.
- However, we did note that one LBNL project planned to use \$2.6 million in Recovery Act funds to purchase a switching station for which there was no current demand and which would not be placed into service for some time. Officials indicated that, through a technical review, they had determined a long-term need for the switching station. However, LBNL's 2006 *Long Range Development Plan* stated that the Laboratory's current electrical supply and distribution system had sufficient capacity to meet current and future demand beyond what is forecast in the plan.
- This occurred because, in its efforts to promptly spend surplus Recovery Act funds, LBNL did not adequately ensure that Recovery Act spending yielded the optimum benefit to the Department. Subsequent to our raising concerns over the lack of immediate need for the switching station, LBNL officials stated that they had decided to change their plan. LBNL had expended about \$125,000 in Recovery Act funds on the design of the switching station, but LBNL officials stated they plan to reimburse this amount with non-Recovery Act funds.
- To help derive the greatest benefit from Recovery Act expenditures for infrastructure modernization, we suggest that the Berkeley Site Office thoroughly review all project plans to ensure that LBNL is using Recovery Act funds to upgrade equipment, laboratory space, and office space that offers the maximum benefit to the Department.

Team Leader: (b)(6)
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on "Audit Coverage of Cost Allowability for UT-Battelle, LLC under Department of Energy Contract No. DE-AC05-00OR22725 for Fiscal Years 2008 and 2009" March 2, 2011
(A10YT019)

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Team Leader:
AIC:
Staff:

(b)(6)

Draft Inspection Report on "Verification of Lawrence Berkeley National Laboratory's Contract Workers' Eligibility to Work in the U.S.," March 3, 2011 (S10IS005)

■ The Department of Energy's (Department's) Lawrence Berkeley National Laboratory (Berkeley) is a research laboratory managed by the Department's Office of Science through its Berkeley Site Office. Berkeley, part of the University of California system, is charged with conducting unclassified research across a wide range of scientific disciplines. Berkeley employs approximately [redacted] scientists, engineers, support staff and students. In addition to its Fiscal Year 2010 budget of approximately [redacted] million, Berkeley received an additional \$104 million in funding from the American Recovery and Reinvestment Act of 2009 (Recovery Act). Much of this funding is being used in combination with Department funds to complete infrastructure upgrades through the use of contractors and subcontractors, resulting in temporary workers gaining access to the Berkeley site.

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(b)(5)

■ The Immigration Reform and Control Act of 1986 (the Act) makes it illegal for employers to knowingly hire and continue to employ individuals who are not eligible to work (unauthorized workers) in the United States. To comply with the Act, employers must complete an Employment Eligibility Verification Form (Form I-9) for each employee at the time of hiring. Because of the security concerns associated with unauthorized workers, we initiated this inspection to determine whether contractors who were awarded contracts for infrastructure upgrades at Berkeley, including their subcontractors, verified the employment eligibility of their employees in accordance with Federal requirements prior to those employees accessing the site.

■ We found that not all of Berkeley's subcontractors ensured that individuals they employed to work on the site were initially eligible or maintained authorization to work in the U.S. throughout the term of their employment. Some contractors created required Form I-9s only after we requested them, others purged their employees' forms from personnel files while others neglected to update and re-verify supporting documents (such as, work authorizations and visas). In addition, some contractors failed to document required key employment eligibility elements such as expiration dates for documents that establish identity and/or employment authorization, or required documentation such as a social security card, driver's license or permanent resident card.

■ Although available for voluntary use by all employers since 2007, we also found that none of the 19 Berkeley subcontractors included in our review used the E-Verify system to supplement the Form I-9 employee eligibility determination process. Had E-Verify been voluntarily used, Berkeley's contractors likely would have identified a number of other anomalies that we discovered during our testing. For example, we identified eight Form I-9s containing duplicate social security numbers, the use of social security numbers that belonged to deceased individuals, or the use of social security numbers that had yet to be assigned.

■ These problems occurred because Berkeley contractors did not place sufficient emphasis on ensuring that their employment verification activities complied with Federal law. In addition, current Department policy does not require Department site security offices to verify, or even to confirm by a sample basis, the employment eligibility of contract workers

before site access is allowed. As a consequence, unauthorized workers may have inappropriately gained access to Federally-funded facilities and could have displaced U.S. citizens or other authorized workers.

Lead Inspector: (b)(6)
Staff:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- A joint entrance conference for the audit of the Department of Energy (Department) Fiscal Year 2011 Consolidated Financial Statements and the evaluation of the Department's Unclassified Cyber Security Program was held on February 28, 2011. Officials from the Office of Inspector General, KPMG, LLC, Office of the Chief Financial Officer, Office of Chief Information Officer, and various field sites were in attendance.
-

RECOVERY ACT INFORMATION:

OTHER INSPECTION ACTIVITY:

Comments Received on Coordination Draft Report

- On February 25, 2011, the Sandia Site Office provided management comments on the Coordination Draft Report titled "Organizational Conflicts of Interest Program at Sandia National Laboratories." On March 1, 2011, Sandia National Laboratories also provided their management comments. The comments are being evaluated and the report is being referenced in preparation for development of the Official Draft Report. (S10IS006, (b)(6))

(b)(6)

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

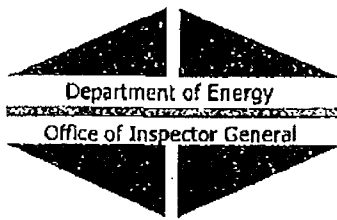
OTHER MATTERS:

- Cynthia Spencer joined the Environment, Technology & Corporate Audits Division on February 14, 2011 as an Auditor working in the Savannah River Audit Group at the Savannah River Site in Aiken, SC. Cynthia earned a Bachelor's Degree in Accounting from University of Phoenix, Phoenix Arizona, and joins us from the private sector where she was most recently employed in the accounting department of The Greenbrier Hotel in West Virginia. Outside of work, Cynthia enjoys traveling, horseback riding and spending time with her family.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
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Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
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Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending March 11, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on "Audit Coverage of Cost Allowability for Washington Savannah River Company, LLC under Department of Energy Contract No. DE-AC09-96SR18500 during Fiscal Years 2007 through 2009"; OAS-V-11-06; March 4, 2010, (A10SR021)

- In a prior attempt to audit coverage of cost allowability for Fiscal Year (FY) 2007, we concluded that the work performed by the Washington Savannah River Company, LLC (WSRC) Internal Audit function (Internal Audit) could not be relied upon. For this reason we were unable to assess the allowability of the \$1.4 billion in costs incurred and claimed by WSRC in FY 2007. To address the situation, we issued *Washington Savannah River Company, LLC Internal Audit Function* (DOE/IG-0811, January 2009). Our current review found that Savannah River Operations Office (SRO) management had not determined the allowability of \$2,915,953.48 in questioned costs identified by WSRC Internal Audit. SRO officials stated they had not acted due to an ongoing Office of Inspector General investigation and the advice of SRO legal counsel. Furthermore, the *FY 2007 Allowable Cost Audit* questioned costs of \$1,027.
- Regarding FYs 2008 and 2009, nothing material came to our attention to indicate that the allowable cost related audit work performed failed to meet Institute of Internal Auditors Standards or was unreliable. Further, WSRC had conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to the subcontractor. However, we found that SRO management had not made a determination on the allowability of \$219,879.29 in costs questioned by WSRC Internal Audit in FY 2008. We also identified another 29 employees that were reimbursed for Long Term Temporary Assignments costs similar to those being questioned, and determined these costs may also need to be audited for allowability.
- Subsequent to the completion of our field work, on October 8, 2010, the SRO contracting officer issued a memorandum directing WSRC to repay the \$1,027 in questioned costs associated with the *FY 2007 Allowable Cost Audit*. Additionally, the SRO contracting officer directed WSRC to repay \$692,201 associated with the FY 2008 questioned long term temporary assignment costs, and \$4,033.91 in relocation and miscellaneous travel related expenses for FY 2008.
- In addition to the questioned costs identified above, we found that SRO management did not have a policy to track the implementation of corrective actions related to internal control weaknesses that could permit unallowable costs.
- We recommended that the Manager, Savannah River Operations Office (1) establish policies and procedures to track and resolve questioned costs, and ensure the internal control weaknesses are corrected; and, (2) determine the allowability of the remaining FY 2007 questioned costs and recover those costs, as appropriate. Management

concurred with the report's recommendations and proposed planned actions that were responsive to the intent of our recommendations.

Team Leader: (b)(6)

AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *Recovery Act Funded Projects at the SLAC National Accelerator Laboratory*, March 8, 2011, OAS-RA-L-11-05, (A10RA007).

- In February 2009, the President signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Department of Energy's (Department) Office of Science received approximately \$1.6 billion through the Recovery Act which it used to invest in science projects including approximately \$97 million for major construction, laboratory infrastructure, and research efforts at the SLAC National Accelerator Laboratory (SLAC) located in Menlo Park, California. These funds were allocated to eight projects to improve mission readiness and science capability. SLAC is managed and operated by Stanford University. The SLAC Site Office is responsible for overseeing SLAC, including its management of these projects.
- Based on the importance of the Recovery Act's investment in science projects, we initiated this audit to determine if the Department is efficiently and effectively managing its Recovery Act funded projects at SLAC.
- Our review of three SLAC Recovery Act funded projects, accounting for over \$47 million, did not reveal problems with schedule or budget. In addition, for the specific SLAC projects we tested, we did not identify material issues with compliance of Recovery Act requirements, including the segregation of funds. We noted, however, that in some instances SLAC did not always comply with its internal requirements designed to ensure that subcontractor invoices and purchase requisitions for Recovery Act related work were adequately reviewed and properly classified. Specifically, SLAC had not always:
 - Properly approved subcontractor invoices for Recovery Act work prior to payment; and,
 - Ensured that Recovery Act subcontractor invoices and purchase requisitions were clearly identified as Recovery Act funded work.
- After discussing our findings with SLAC management, SLAC initiated actions intended to mitigate these concerns. These mitigating actions, if successfully implemented, should address the concerns discussed in the report. However, we suggest that the SLAC Site Office provide continued oversight and monitoring of the issues identified in this report. No formal recommendations were made in this report.

Team Leader: (b)(6)

AIC:

Staff:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Report on *Audit of National Security Technologies, LLC Internal Audit Function*, March 8, 2011, OAS-L-11-03, (A10LV007).

- National Security Technologies, LLC (NSTec), has managed and operated the Nevada National Security Site since July 1, 2006, for NNSA's Nevada Site Office. The contract requires NSTec to establish and maintain an independent internal audit function and to develop an Internal Audit Implementation Design that describes the audit organization, lines of reporting, oversight responsibilities, and auditing standards to be followed.
- To help ensure that only allowable costs are claimed by management and operating contractors, the Office of Inspector General, the Department's Office of Procurement and Assistance Management, and contractors implemented a Cooperative Audit Strategy. This strategy relies on the contractors' internal audit function to provide audit coverage of the allowability of incurred costs claimed by contractors. It requires that contractors structure their organizations so that the internal audit manager reports functionally to the Board of Directors, audit committee, or equivalent corporate independent governing body. The strategy's success depends on the organizational placement of the internal audit department and the internal audit function's adherence to the audit standards established by the International Standards for the Professional Practice of Internal Auditing (Standards) as promulgated by the Institute of Internal Auditors (IIA).
- Because the role of contractor internal audit departments is critical to the success of the Cooperative Audit Strategy, we performed this audit to determine whether audits conducted by the NSTec Internal Audit Department (Internal Audit) during Fiscal Years (FY) 2008 and 2009 met both quality and professional auditing standards.
- Although we found that NSTec Internal Audit generally met IIA Standards for the seven audits we reviewed, we identified a number of exceptions in one audit that resulted in that audit not meeting quality and professional standards. Specifically, we identified instances in which Internal Audit had not ensured that relevant audit work supported audit conclusions and results. Further, although Standards require that the Internal Audit Manager communicate directly with the Board of Directors, NSTec's Internal Audit Manager did not have direct contact with the Board. We also found that, during FYs 2008 and 2009, the Audit Committee Chairman was not independent of company management since he was also the NSTec's Treasurer responsible for management of the company's bank accounts.
- The audit quality exceptions that we identified were isolated and NSTec has acted to improve both the quality and independence of its internal audit organization since the time the audit in question was completed. To ensure these actions are completely implemented, we made suggestions to address the issues identified in this report that included; (1) determining whether mischarges totaling \$35,000 were appropriately managed; and, (2)

ensuring that the NSTec Internal Audit Manager has sufficient interaction and participation with senior management and the Board of Managers to carry out his responsibilities.

- Management concurred with our recommendations and indicated that it had initiated or already completed actions to address weaknesses identified during our review.

Team Leader: (b)(6)
AIC:
Staff:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held with representatives of the Colorado Governor's Energy Office on February 24, 2011, to discuss the audit of *The State of Colorado's Energy Efficiency and Conservation Block Grant Program* (A11RA006). The purpose of the audit is to determine whether the State of Colorado has adequate safeguards in place to ensure Energy Efficiency and Conservation Block Grant funding is managed efficiently and effectively. In attendance from the Office of Inspector General were (b)(6)
(b)(6)

RECOVERY ACT INFORMATION:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

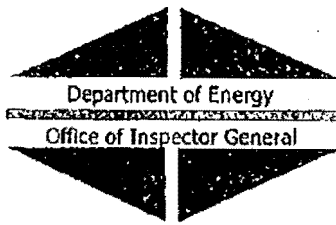
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Weekly Activity Report
Office of Audits and Inspections

Ending March 18, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held with representatives of the Pennsylvania's Division of Energy Policy and Technology Deployment on February 22, 2011, to discuss the audit of *The Energy Efficiency and Conservation Block Grant Program for the State of Pennsylvania* (A11RA017). The purpose of the audit is to determine whether the State of Pennsylvania has adequate safeguards in place to ensure Energy Efficiency and Conservation Block Grant funding is managed efficiently and effectively. In attendance from the Office of Inspector General were (b)(6)

(b)(6)

RECOVERY ACT INFORMATION:

OTHER INSPECTION ACTIVITY:

- A Message Meeting was held on March 16, 2011, concerning the inspection on "Property Accountability and Accounting Controls under the Cooperative Agreement with the

Incorporated County of Los Alamos." The objective of the inspection was to determine whether the Incorporated County of Los Alamos was effectively managing Federally-owned personal property under the National Nuclear Security Administration Cooperative Agreement and if the County established controls to ensure that costs incurred were consistent with the terms and conditions of the Cooperative Agreement. In December 2010, the Office of Inspection General received a complaint alleging that government property, including computers, was missing at the Los Alamos County Fire Department. In addition, the complainant alleged that the County purchased or attempted to purchase items that were not allowable. Based on our field work, we identified several issues and decision was made to prepare a report. (S11IS004, (b)(6))

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

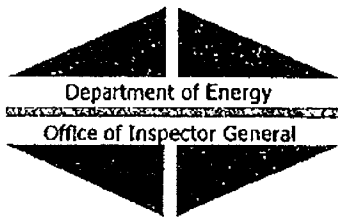
OTHER MATTERS:

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Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending March 25, 2011

FINAL REPORTS ISSUED THIS WEEK:

Final Report on "*Solar Technology Pathway Partnerships Cooperative Agreements*,"
OAS-M-11-02, March 22, 2011 (A10DN001)

- The Department of Energy's (Department) Office of Energy Efficiency and Renewable Energy established the Solar Technology Pathway Partnerships (Solar TPP) program as part of an effort to make solar energy cost-competitive with conventional forms of electricity by 2015. The program focused on new solar energy photovoltaic systems. To implement the program, the Department, beginning in 2007, established cooperative agreements with 12 for-profit financial assistance recipients who in turn established partnerships with universities, non-profit organizations, and the Department's national laboratories. To date, cooperative agreements with 9 of the 12 original recipients remain active. Of the three cooperative agreements that had been discontinued, two were terminated due to concerns about their viability and the other recipient withdrew before beginning work.
- As of June 2010, the Department had reimbursed about \$120 million in costs incurred by the 11 recipients who had begun work, just over 80 percent of total program awards of \$147 million. The Department reported that it was responsible for financial oversight, including review of indirect cost proposals and implementation of audit requirements, for 7 of the 11 recipients. Because they provided the majority of funding, financial oversight of the remaining four recipients was assumed by other Federal agencies. Due to the size of Solar TPP awards and the importance of the program to achieving national energy goals, we initiated this audit to determine if the Department had effectively managed the program's award, technical monitoring and cost reporting processes.
- We noted that the Department had developed and implemented controls designed to ensure that Solar TPP projects were awarded in compliance with applicable regulations and were making adequate technical progress. Our testing, however, revealed that the Department's financial monitoring of the \$120 million expended for these projects was not always adequate. Specifically, the Department had not:
 - Ensured that recipients had independent audits of their internal control structures and their compliance with applicable laws and regulations as required by Federal regulations (10 CFR 600.316).
 - Obtained and reviewed recipients' cost reports to determine the allowability of costs as required by Federal regulations (10 CFR 600.317).
 - Requested that the Defense Contract Audit Agency conduct cost allowability audits for any of the seven recipients for which it was responsible and had not ensured that the responsible agencies for four other recipients had arranged for audits.

- Problems with financial monitoring were caused by insufficient Departmental guidance concerning audits of for-profit organizations receiving financial assistance. Although the cooperative agreements reference the Federal regulations, they do not specifically explain the audit requirement, provide guidance about how the audits are to be conducted, or include the audits in the checklist of required documentation to be submitted by the recipients. Program officials acknowledged that they had not required recipients to conduct internal control and compliance audits, citing the lack of guidance.
- In the absence of timely financial oversight, there is an increased risk that recipients will not have adequate controls in place to ensure compliance with applicable laws, regulations, and award requirements. There is also an increased risk that recipients will incur unallowable or unnecessary costs. Additionally, as we have noted in previous audits, delays in conducting audits increase the risk that recipients will be unable to produce documentation supporting their costs, thereby preventing costs from being audited.

Team Leader: (b)(6)
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *"The Department of Energy's American Recovery and Reinvestment Act – Massachusetts State Energy Program,"* OAS-RA- 11-06; March 22, 2011 (A10RA036)

- The Commonwealth of Massachusetts' Department of Energy Resources (Massachusetts) was allocated \$54.9 million in State Energy Program (SEP) funds under the American Recovery and Reinvestment Act of 2009 (Recovery Act). Our audit found that Massachusetts had, for the most part, implemented processes and controls necessary to manage its SEP Recovery Act funding. For example, Massachusetts employed a project selection process designed to accelerate project implementation and achieve SEP Recovery Act goals. This allowed Massachusetts to disburse \$26.4 million (about 48 percent) of its SEP Recovery Act funds by January 31, 2011.
- We found, however, that Massachusetts, although it had draft plans, had not finalized its Recovery Act sub-recipient oversight plans and procedures. Specifically, Massachusetts had not completed its plans for site visits to the sub-recipients that received funding directly from Massachusetts. It also had not finalized the selection methodology for visiting the more than 100 entities that received funding from the sub-recipients (referred to as second-level sub-recipients). In addition, Massachusetts had not determined whether additional staff would be required to properly implement its oversight activities.
- We also noted that Massachusetts' obligations, as defined and subsequently clarified by the Department of Energy (Department), were overstated. For example, as of June 24, 2010, Massachusetts' SEP Recovery Act funds were reported as 97 percent obligated even though at least 43 percent, or approximately \$23.8 million, did not have executed contracts in place. While actual obligations have since been brought closer in line with reported obligations, as of September 30, 2010, obligations were still overstated by about 6 percent.

- The concerns addressed in this report were attributed, at least in part, to insufficient guidance from the Department. Specifically, the Department did not provide timely guidance pertaining to sub-recipient monitoring. We also found that, because of the requirements stipulated in the Recovery Act, it took longer than anticipated for Massachusetts to finalize its contracts on all of its projects, a factor that delayed its efforts to implement its monitoring guidance. In addition, the Department's initial guidance did not adequately define an obligation and its oversight of Massachusetts did not include validation of amounts claimed as obligated.
- Management concurred with our recommendations and stated that it will continue to closely oversee the work carried out under Massachusetts' SEP, including regular on-site visits, frequent communication and reviews of all reports.

Team Leader: (b)(6)
AIC:
Staff:

Audit Report on *"The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act,"* OAS-RA-11-05, March 22, 2011

- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Geothermal Technologies Program received \$400 million to promote the exploration and development of new geothermal fields and innovative research into advanced geothermal technologies. This funding represents an almost ten-fold increase over the \$44 million originally appropriated to the Geothermal Technologies Program for 2009. As of January 2011, the Department had awarded \$368 million in financial assistance agreements for 135 geothermal technologies projects, with about \$68 million having been expended.
- Recovery Act funding supports geothermal projects undertaken by private industry, academic institutions, tribal entities, local governments, and the Department's National Laboratories. The projects, covering activities in 39 states, represent a significant expansion of the U.S. geothermal industry and are intended to create or save thousands of jobs in drilling, exploration, construction, and operation of geothermal power facilities and manufacturing of ground source heat pump equipment.
- We initiated the audit to determine whether the Department had effectively managed the geothermal awards funded under the Recovery Act.
- In general, the Department followed established procedures for the solicitation, merit review, selection and award of geothermal projects. However, we identified weaknesses in project administration that need to be addressed to ensure that the government's interests are protected, the financial assistance recipients fully comply with Federal requirements, and the goals of the Recovery Act are met. Specifically, our review of six major projects revealed that:
 - Five of the six for-profit award recipients had been paid in excess of \$110,000 for items that were either expressly unallowable under Federal regulations and award conditions or were questionable. Recipients claimed and been reimbursed for

unallowable costs such as alcohol, excessive travel, and entertainment expenses, as well as for duplicate payments, unauthorized pre-award expenses, and for the other expenses that lacked sufficient supporting documentation; and,

- Five of the six award recipients had not required sub-contractors to implement Davis-Bacon Act requirements to pay prevailing wage rates as mandated by the Recovery Act. Subcontract awards account for an estimated 90 percent of the \$57 million in project costs for the 5 recipients.

■ The Department's approach to monitoring geothermal awards was not fully effective. Specifically, it had not developed and implemented procedures for monitoring projects. Additionally, it had not assigned adequate staff to monitoring activities and had not adequately trained recipients on Federal rules regarding unallowable costs. Award recipients also indicated that they were uncertain about how Davis-Bacon Act requirements could be applied to their awards.

■ Payment of unallowable and questionable expenses reduces the amount of funds available for mission objectives and represents waste and abuse of taxpayer dollars. Accordingly, we are questioning \$110,000 in award payments that need to be resolved by the Department's contracting officer. Because our review was confined to a sample of active projects and with almost \$300 million remaining to be spent as of December 2010, it is essential that the Department take immediate action to avoid similar problems in the future.

■ The Department concurred with the findings and recommendations contained in our audit. Specifically, management stated that it had either completed or had ongoing actions to: (1) adjust resource allocations for project monitoring; (2) develop procedures to review compliance with Davis-Bacon Act requirements; (3) provide recipient training on laws and regulations applicable to awards, including Davis-Bacon Act requirements; and, (4) monitor recipient flow-down of requirements in sub-contracts and direct compliance when required. Further, the Department reported that it had already recovered 97 percent of the costs we questioned. Finally, management pointed out that our review occurred early in project period and that future unallowable costs would be identified during annual incurred cost reconciliations. Management also stated that it had requested post-award audits of Recovery Act funded projects. Management's actions are responsive to our recommendations.

Team Leader: (b)(6)

AIC:

Staff:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

Coordination Draft Inspection Report on "*Alleged Violations of Executive Order 12333, U.S. Intelligence Activities*," Issued on March 22, 2011 (S11IS003)

- The Department of Energy (Department), as part of its mission, gathers intelligence information on various subjects to help protect the complex. The Office of Intelligence and Counterintelligence is responsible for collecting and analyzing information in the fields of nuclear terrorism, counterintelligence, and cyber threats. The Counterintelligence (CI) Directorate of that office and its field locations across the complex are responsible for collecting, reviewing, investigating and acting on information ranging from foreign intelligence to potential and actual terrorist activity. As a means of quickly disseminating and acting on items of critical intelligence, the Department developed SPOT Reports. These reports are intended to record and communicate information that could merit national-level attention and require expeditious action. SPOT Reports may contain information on "U.S. Persons," which include United States citizens, aliens known to be permanent resident aliens, or a corporation incorporated in the United States.
- Presidential Executive Order (E.O.) 12333, *United States Intelligence Activities, as amended*, July 2008, authorizes the Department to prescribe procedures, approved by the Attorney General, that limits intelligence collection methods and helps ensure the protection of constitutional and other legal rights of U.S. Persons. The Department developed policies, procedures and guidance based on the requirements established in E.O. 12333 which specifically required that information gathered and reported on U.S. Persons be reviewed quickly to determine if a foreign nexus exists, and, if determined not to exist be destroyed based on a specified timeline. A foreign nexus indicates that a person is or may be engaged in intelligence, terrorist, or other hostile activities directed against the Department by foreign powers, organization or their agents, or indications of contact between the subject and foreign intelligence services. Because of the importance of protecting the rights of U.S. Persons and based on a specific allegation, we initiated an inspection to determine whether the Department's CI Directorate was inappropriately collecting, retaining, and disseminating information on U.S. Persons without a foreign nexus.
- Our inspection substantiated the allegation that the Department was improperly collecting and retaining information on U.S. Persons even though it could not or had not taken action

necessary to establish a foreign nexus. We concluded that the actions related to SPOT Reports, at a minimum, violated the spirit of E.O. 12333, concerning information on U.S. Persons. This occurred and persisted because of a lack of management focus on this important topic. We made four recommendations to the Director, Office of Intelligence and Counterintelligence, and one recommendation to the Director, Office of General Counsel.

- The Coordination Draft was sent to the Director, Office of Intelligence and Counterintelligence, and the Director Operations and Investigations Division, Counterintelligence Directorate on March 22, 2011, for informal comments. We asked to receive all Coordination Draft comments within 5 working days, after which we will prepare the Official Draft Report. We have a meeting to discuss their comments on March 29, 2011. (Lead Inspector: (b)(6))

OTHER INSPECTION ACTIVITY:

- A Message Meeting was held on March 16, 2011, concerning the inspection on "Property Accountability and Accounting Controls under the Cooperative Agreement with the Incorporated County of Los Alamos" (S1 IIS004). The objective of the inspection was to determine whether the Incorporated County of Los Alamos was effectively managing Federally-owned personal property under the National Nuclear Security Administration Cooperative Agreement and if the County established controls to ensure that costs incurred were consistent with the terms and conditions of the Cooperative Agreement. In December 2010, the Office of Inspection General received a complaint alleging that government property, including computers, was missing at the Los Alamos County Fire Department. In addition, the complainant alleged that the County purchased or attempted to purchase items that were not allowable. The inspection identified several issues and a decision was made to prepare a report. (Lead Inspector: (b)(6))

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

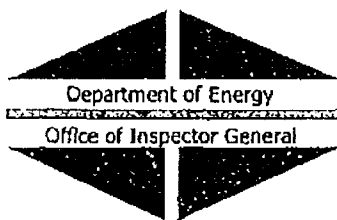
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Counsel to the Inspector General
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Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending April 8, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Report on *"The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia"* April 5, 2011 (A10RA059)

- The Department of Energy's (Department) Weatherization Assistance Program received \$5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to improve the energy efficiency of residences owned or occupied by low-income persons. The Department subsequently awarded a three-year Recovery Act Weatherization Assistance Program grant of almost \$38 million to the State of West Virginia. This grant provided nearly eight times the \$4.8 million in Departmental funds available to West Virginia for weatherization in Fiscal Year 2009.
- The West Virginia Governor's Office of Economic Opportunity administers the Recovery Act grant through 12 local community action agencies. These agencies are responsible for determining applicant eligibility, assessing and weatherizing homes, and conducting home inspections. West Virginia's goal is to weatherize approximately 3,500 homes with Recovery Act funding, providing services to qualified elderly and handicapped low-income persons on a priority basis. As of October 2010, the State reported weatherizing almost 1,800 homes at a cost of \$16.3 million in Recovery Act funding.
- Given the significant increase in funding and the demands associated with weatherizing thousands of homes, we initiated the audit to determine if West Virginia and three of its local agencies – Eastern West Virginia Community Action Agency (Eastern), North Central West Virginia Community Action Association (North Central) and Southwestern Community Action Council (Southwestern) – had adequate safeguards in place to ensure that the Weatherization Assistance Program was managed efficiently, effectively and in compliance with Federal and State laws and regulations.
- The State of West Virginia had not always managed its Weatherization Assistance Program efficiently and effectively, nor had it always ensured compliance with applicable laws and regulations. We found problems in the areas of weatherization workmanship, financial management, prioritization of applicants for weatherization services, and compliance with laws and regulations. Specifically, we noted that:

- Despite the fact that over half of the homes weatherized and inspected by local agencies (102 of 183) had failed State re-inspections due to poor workmanship (including health and safety issues such as ventilation and clearance issues with furnaces, stoves, and gas hot water heaters) or the need to install prescribed materials, West Virginia had not developed a state-wide plan to identify and address systemic problems. Instead, workmanship issues were handled on a case-by-case basis; a practice that while generally effective in correcting problems at the particular units re-inspected, was not useful in reducing what appeared to be pervasive quality issues.
- Financial management at the State and the three agencies we visited needed improvement:
 - North Central had billed for all costs associated with weatherizing homes, regardless of whether the work had been fully completed. We were unable to determine the extent of the problem since North Central had not maintained records of the homes that required work for which it had already billed the State;
 - North Central and Southwestern had not effectively accounted for materials inventories. Specifically, neither local agency had reconciled inventory balances to actual inventories, resulting in numerous observed differences between recorded and on-hand balances;
 - Eastern, contrary to State procurement rules, had not always competitively selected sub-contractors and had not properly accounted for over \$4,000 in administrative personnel costs; and,
 - At the State level, we reviewed the three personal services contracts funded with Recovery Act monies and found that documentation was unavailable to support any of the \$47,500 paid. In these particularly troubling examples, State service agreements supporting the payments had limited or no defined work products.
- North Central had given preferential treatment to its employees and their relatives who qualified for the Program. As a result of what, in our view was an unjustifiable violation of program guidance, elderly and handicapped applicants who should have received services on a priority basis according to the State's weatherization program were at a distinct disadvantage. In fact, while employees and their relatives waited for services an average of about 2.8 months from the date of application, non-employees in our sample of 32 client files waited an average of 21.4 months; and,
- Local agencies had also not established controls necessary to ensure compliance with Recovery Act requirements. For example, controls were not effective in preventing provision of services to homes that had been weatherized after September 30, 1994. Neither the State nor the two local agencies we reviewed had maintained information sufficient to identify homes that had been weatherized after 1994. Further, Eastern had not ensured compliance with the Davis-Bacon Act regarding compensating sub-contractor employees in accordance with prevailing wages and the Recovery Act regarding reporting jobs created and saved.

The above problems were caused by a number of factors. For example, the State had not performed state-level trend or root cause analyses to identify systemic weatherization quality problems. The performance of trend and root cause analyses would help the State to determine whether recurring problems such as inadequate furnace ventilation and clearance were systemic, identify the underlying causes for such problems and develop corrective actions.

■ While the cause of certain other issues were apparent, some could not be identified with certainty. For example, officials indicated that they were unaware of requirements such as the Davis-Bacon Act, even though the State had provided them with written reminders. Other than a general lack of focus on transparency, we were unable to pinpoint a reason for the State's award and payment for personal service contracts that did not produce tangible results.

■ To achieve the objectives of the Recovery Act, it is important that the Department and the State of West Virginia have effective financial and operational controls in place to manage the Weatherization Assistance Program at all levels. By ensuring that the additional funding provided by the Recovery Act is properly managed and expended, West Virginia has the opportunity to improve the health and safety of many of its low-income citizens as well as significantly reduce energy consumption. Unless the weaknesses identified in this report are addressed, the risk of failing to achieve Recovery Act goals, along with the risks of fraud, waste and abuse, will likely increase.

■ After we brought these matters to their attention during the course of our audit, State officials told us that they will address a number of issues discussed in our report. For example, State officials indicated that they will: (1) perform a comprehensive trend analysis of inspection results, (2) require that only costs for fully completed homes are claimed, (3) use a newly developed standard contract to procure consulting services that require clearly defined work scopes and deliverables, and, (4) implement a strict policy related to weatherization services provided to local agency employees. Additionally, State officials told us that they increased local agency monitoring.

■ Eastern officials also told us that they had acted to address issues identified during our audit. Specifically, Eastern officials said that they had instituted new policies and procedures governing compliance with competitive procurements, administrative time charges and Davis Bacon Act requirements. The actions initiated by West Virginia are positive and should, if properly executed, help improve the likelihood of meeting Recovery Act weatherization goals. To help ensure that these initial actions are sustained, we made several recommendations to increase accountability and transparency in the management of West Virginia's Weatherization Assistance Program at the State and local agency levels.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

Draft Report on "The Department of Energy's Weatherization Assistance Program for the State of Wisconsin" April 6, 2011 (A10RA061)

■ The Department of Energy's (Department) Weatherization Assistance Program received

\$5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to improve the energy efficiency of homes, multi-family rental units and mobile homes owned or occupied by low-income persons. Subsequently, the Department awarded a three-year Weatherization Assistance Program grant for \$141.5 million to the State of Wisconsin. This grant provided an eight-fold increase in funds available to Wisconsin for weatherization compared to the \$15 million that was authorized in Fiscal Year 2009.

■ Wisconsin's Department of Administration, Division of Energy Services, administers the Weatherization Program through 20 local agencies. These agencies are responsible for evaluating the energy efficiency of homes, performing weatherization work, and conducting inspections. Typical weatherization services include installing insulation, sealing ducts, tuning and repairing furnaces, and mitigating heat loss through windows, doors, and other infiltration points. Per Wisconsin State law, local intake agencies in each of the State's 72 counties and 8 tribes process applications for all state and federal energy assistance. These agencies, for the most part, are independent of the State and local weatherization agencies that actually provide weatherization services.

■ Given the significant increase in funding and the demands associated with weatherizing thousands of homes, we initiated the audit to determine if Wisconsin had effectively managed its Weatherization Program. To perform our audit, we analyzed Wisconsin's management of the Weatherization Program and examined the weatherization activities of three local agencies, Ashland County Housing Authority (Ashland), La Casa de Esperanza, and Racine/Kenosha Community Action Agency. The agencies represented 17 percent of the State's total funds and 11 percent of the 20,700 units expected to be completed by March 2012.

■ (b)(5)

(b)(5) However, we did find opportunities for improvements. We identified opportunities to improve Wisconsin's Weatherization Assistance Program in the areas of retaining documentation supporting applicant eligibility for weatherization services and maintaining separate accounting for Recovery Act spending. Specifically, we found that:

- Wisconsin had not required intake agencies to retain supporting documentation, such as wage statements, to verify applicant eligibility for Weatherization Program services. State officials informed us that they had relied on a 1983 Department memorandum stating that "copies of the documents themselves need not be retained." While the Department's current Weatherization Assistance Program guidance (b)(5) requires recipients to maintain records documenting the eligibility of applicants for assistance, it does not prescribe the type of documentation to be retained. The Department is currently evaluating the costs and benefits of strengthening documentation retention requirements.
- Ashland County Housing Authority (Ashland) had not separately accounted for Recovery Act funding. Rather, Ashland accounted for Weatherization Assistance Program Recovery Act funds together with weatherization assistance funds received from three additional Federal and State programs. The Recovery Act established a goal of increased transparency and required that recipients separately account for activities funded by the Act. Ashland officials told us that, as a result of our audit,

they have modified their accounting system to separately account for Recovery Act expenditures.

- To achieve the goals of the Recovery Act and the Department's Weatherization Assistance Program, we made recommendations to the Acting Assistant Secretary for Energy Efficiency and Renewable Energy designed to address the areas of improvement identified in the audit.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

Draft Report on *"The State of Missouri Weatherization Assistance Program,"* April 7, 2011
(A10RA060)

- Missouri's Department of Natural Resources (Missouri) is responsible for administering the American Recovery and Reinvestment Act of 2009 (Recovery Act) grant through 17 local agencies and a municipality (local agencies). Local agencies are responsible for determining applicant eligibility; performing initial home assessments to determine appropriate weatherization measures needed; assigning contractors to weatherize homes; and, conducting final inspections on completed homes. Weatherization services include installing insulation; sealing ducts; and tuning or replacing furnaces. Missouri planned to use its Recovery Act funding to weatherize about 20,150 homes.

- Given the significant increase in funding, we initiated this audit to determine if Missouri had adequate safeguards in place to ensure that the Weatherization Program was managed efficiently and effectively.

■ (b)(5)
(b)(5) Despite this accomplishment,
our audit revealed that:

- Missouri has experienced recurring problems in the quality of weatherization work. Between July 2009 and June 2010, for example, State monitors determined that approximately 30 percent (156 of 523) of the homes they re-inspected throughout Missouri required further action because the work was not acceptable. State monitors found issues such as unacceptably high levels of carbon monoxide emitted by furnaces and hot water heaters that had been worked on by contractors, furnaces and hot water heaters that had not been vented properly, the lack of pressure release pipes on water heaters, failures to properly install insulation and failures to complete all work order requirements;
- During our observation of local agency final inspections conducted by Kansas City, St. Louis, and Delta, we found that 11 of 20 homes (55 percent) failed the agencies' final inspections. Eight of the homes failed because a furnace or hot water heater was not working properly and/or was emitting carbon monoxide at higher than acceptable rates. Subsequent to our review, the local agencies took appropriate action to resolve the issues we observed; and

- Three of the 20 final inspections we attended identified problems with the initial assessments conducted on the homes. These problems included calling for insulation that would create a potential fire hazard and failing to identify a hot water heater that was not properly vented. Fortunately, in these cases, the issues were appropriately resolved.

■ Weatherization work quality problems resulted from a combination of program weaknesses, including inadequate final inspections conducted by local agencies, ineffective follow-up on systemic issues identified in re-inspections, and incomplete training of local agency and contractor personnel. In particular:

- Although they performed effective inspections of the homes we visited, local agency final inspectors often failed to identify problems, allowing workmanship issues to persist. During their re-inspections of homes weatherized by local agencies, state monitors found that in one out of three cases, local agency final inspectors passed homes that actually required further action. In other words, homes deemed to be completed by local agency officials often had significant problems, such as furnace issues, that had not been resolved;
- Neither the State nor the three local agencies we visited addressed systemic issues that caused recurring weatherization work quality problems noted during inspections and re-inspections. Although Missouri had repeatedly identified workmanship issues at local agencies throughout the State, it had not taken steps to correct systemic or frequently recurring problems, relying instead on correcting problems on a home-by-home basis.

(b)(5)

(b)(5)

Additionally, none of the three

local agencies included in our audit had taken steps to identify contractors with recurring problems and require them to take corrective action to prevent the problems in the future; and,

- Although the State's 2009 Weatherization Annual Plan had identified the need for State-wide training to ensure the performance of quality weatherization work, Missouri had not fully implemented a training program for local agency and contractor personnel.

■ We also found that one local agency, St. Louis, had used Recovery Act funds to acquire more vehicles than it needed to meet its weatherization goals. After we brought this matter to the attention of agency officials, they subsequently sold excess vehicles to other local agencies in the State, recouping over \$100,000 that will be available to weatherize additional homes.

■ As noted in the report, the State had taken steps to safeguard Recovery Act funds by improving its oversight of the local agencies. For example, the State implemented on-site monitoring at each local agency three times a year, exceeding the Department's requirement of annual monitoring. However, absent an increased focus on correcting systemic issues, quality issues are likely to continue. Weaknesses in Missouri's Weatherization Program can pose health and safety risks to residents, hinder production, and increase costs. Of

particular concern is the high incidence of furnaces or hot water heaters that were not working properly and/or were emitting higher than acceptable levels of carbon monoxide. We made a number of recommendations designed to improve the Weatherization Program.

Team Leader: (b)(6)
AIC:
Staff:

LETTER REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Inspection Report on "*Organizational Conflicts of Interest Program at Sandia National Laboratories*," April 5, 2011 (S10IS006)

- On April 5, 2011, we issued our official draft report to the National Nuclear Security Administration. Management comments to the draft are due by April 26, 2011. The objective of the inspection was to determine whether the OCI Program at Sandia complied with contractual agreements. Our inspection revealed that Sandia, in a number of instances, had not taken the actions necessary to ensure that potential or actual conflicts of interest were identified.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Audit Report on "*Department of Energy Isotope Program's Fiscal Year 2007 Financial Statement Audit*," OAS-FS-11-06, April 7, 2011 (A07FN003)

- This report presents the results of the independent certified public accountants' audit of the Department of Energy Isotope Program's Fiscal Year 2007 financial statements. KPMG, LLC (KPMG) concluded that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. KPMG noted five significant deficiencies. Two of the significant deficiencies are considered material weaknesses. The results of KPMG's tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that were required to be reported.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

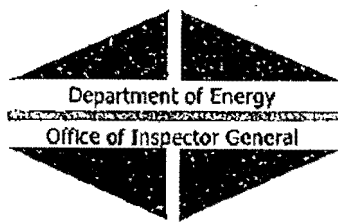
OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Counsel to the Inspector General

Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending April 15, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on *"Security Planning for National Security Information Systems at Lawrence Livermore National Laboratory"*, April 15, 2011, OAS-M-11-03, (A10TG023)

- The National Nuclear Security Administration (NNSA) is responsible for the maintenance and security of the Nation's nuclear stockpile, management of nuclear nonproliferation activities, and operation of the naval reactor programs. A significant amount of the information related to these mission activities is classified and stored or processed in national security information systems. The Lawrence Livermore National Laboratory (LLNL) maintains various national security systems, ranging from diskless workstations to large supercomputers, which process sensitive and classified information in support of program objectives. In the past, physical and cyber security controls over sensitive and classified information throughout the Department of Energy (Department) have been areas of concern. Given the importance of this area, we initiated this audit to determine whether NNSA had developed and implemented an effective risk management process over its national security information systems at LLNL.
- Our review found that LLNL had taken steps to improve the risk management process for its national security information systems based on our prior reviews. However, we found that additional actions are needed in the area of security planning and policies to reduce the risk of compromise. In particular, we noted that three of four system security plans we reviewed were incomplete and did not always sufficiently describe security controls and how they were implemented. In addition, contractor officials made security-significant changes to national security systems that potentially increased the risk to those systems without first obtaining approval from the Federal Authorizing Official. Finally, NNSA had not incorporated security controls established by the Committee on National Security Systems, the organization designated by Executive Order 13231 to develop policies and standards for protecting national security information systems, into its cyber security policy, thus negatively impacting LLNL's ability to meet Federal security requirements.
- These issues were due, at least in part, to inadequate program and site-level policies and procedures for protecting national security information systems. The problems identified persisted because of insufficient performance monitoring by Headquarters and Site Office Federal officials. Without improvements, the weaknesses identified may limit program and site-level officials' ability to make informed risk-based decisions that support the protection of classified information and the systems on which it resides. LLNL officials reported that they are currently reforming the site's system authorization process and recertifying its national security information systems to better align with current NNSA policies. While these are positive actions, additional effort is necessary. As such, we have made several recommendations that, if fully implemented, should help enhance NNSA's and LLNL's management of risk over national security information systems.

- Management indicated that it generally agreed with the report's findings. While the Livermore Site Office did not agree with the report's recommendations, management commented that corrective actions were already underway to address issues identified in the report. However, no specific corrective actions were included in management's comments. In addition, management disagreed with several of the conclusions in the report related to policy implementation and performance monitoring.

Team Leader: (b)(6)

AIC:

Staff:

Report on "Verification of Lawrence Berkeley National Laboratory's Contract Workers' Eligibility to Work in the U.S.," April 15, 2011, DOE/IG-0850; (S10IS005)

- The *Immigration Reform and Control Act of 1986* (the Act) makes it illegal for employers to knowingly hire and continue to employ individuals who are not eligible to work (unauthorized workers) in the United States. To comply with the Act, employers must complete an *Employment Eligibility Verification Form* (Form I-9) for each employee at the time of hiring. Because of the security concerns associated with unauthorized workers, we initiated this inspection to determine whether contractors who were awarded contracts for infrastructure upgrades at Berkeley, including their subcontractors, verified the employment eligibility of their employees in accordance with Federal requirements prior to those employees accessing the site.
- We found that not all of Berkeley's subcontractors ensured that individuals they employed to work on the site were initially eligible or maintained authorization to work in the U.S. throughout the term of their employment. Some contractors created required Form I-9s only after we requested them, others purged their employees' forms from personnel files while others neglected to update and re-verify supporting documents (such as, work authorizations and visas). In addition, some contractors failed to document required key employment eligibility elements such as expiration dates for documents that establish identity and/or employment authorization, or required documentation such as a social security card, driver's license or permanent resident card. The Department and the Berkeley Site Office concurred with the report's findings and recommendations.

Team Leader: (b)(6)

Project Leader: (b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Report on "Alleged Violations of Executive Order 12333, U.S. Intelligence Activities – Improper Retention of Information on U.S. Person," (S11IS003)

- On April 12, 2011, an Official Draft Inspection Report was issued to the Office of Intelligence and Counterintelligence on the inspection titled "Alleged Violations of Executive Order 12333, U.S. Intelligence Activities – Improper Retention of Information on U.S. Persons. Management comments to the draft are due by May 5, 2011. The objective of the inspection was to determine whether the Counterintelligence officials retained and disseminated information on U.S. Persons without a foreign nexus.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Potential Risks Concerning Annular Core Research Reactor (ACRR) Hotline Allegation Review (P11HL279)

- An interview was conducted on April 13, 2011, for a Hotline Complaint involving "Concerns Regarding Nuclear Safety Mismanagement at Sandia Reactor." The complaint was based on a newspaper article published in the Albuquerque Journal entitled "Sandia's Reactor Puts Risk in Our Backyard." The focus of this preliminary review was to determine if Sandia National Laboratories-New Mexico (Sandia) was aware of the article; if Sandia has plans to address possible safety issues; and if Sandia has any historical information concerning this reactor. The interview was held with four Sandia officials and three Sandia Site Office personnel. A Memorandum of Inspection Activity is being prepared to address Unclassified Nuclear Controlled Information (UNCI) we collected.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

*Potential Non-Compliance with 10 CFR 830 Requirements at the Los Alamos National Laboratory
Hotline Allegation Review (P11HL266)*

- On April 6, 2011, the Western Region Inspections Office – Albuquerque began a preliminary review to determine if a complaint received by the OIG Hotline - "10 CFR 830 Compliance Concerns at the LANL WCRRF HC-2 Nuclear Facility" – contained sufficient basis for initiating an inspection at Los Alamos National Laboratory. The focus of this review is to determine why the Los Alamos Site Office Manager did not stop the Contractor from resuming waste drum remediation operations despite being aware of potential inadequacies in the safety analysis for the facility. We conducted interviews of the Complainant, the Complainant's supervisor, personnel at the Los Alamos Site Office, and Laboratory employees at Los Alamos. Additional interviews and document reviews are being planned to complete the work steps necessary to determine if an inspection will be initiated.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

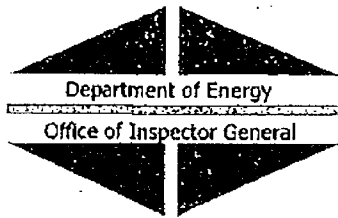
OTHER MATTERS:

JOYS, CARES, CONCERNS:

✶ Congratulations to Soonseng Seetho of the Technology Audit Group (Livermore) and his wife (b)(6) (b)(6) Soonseng and (b)(6) are all doing well.

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Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending April 22, 2011

FINAL REPORTS ISSUED THIS WEEK:

Management Alert on *"Planned Actions Related to the National Energy Technology Laboratory's Simulation-Based Engineering User Center"*, April 22, 2011, OAS-RA-11-08, (A11TG023)

- The Department of Energy's National Energy Technology Laboratory (NETL) initiated plans to utilize \$20 million of American Recovery and Reinvestment Act of 2009 funds to develop the Simulation-Based Engineering User Center (User Center) – part of the Carbon Capture Simulation Initiative program. According to project documentation, \$3 million of the total cost will be dedicated to acquiring and installing a Performance Optimized Data Center (POD) at NETL's Morgantown, West Virginia, site. And, the remaining funds will be spent equipping and supporting the POD with a high performance computing system. In March 2011, NETL was given final approval for the project from the Department's Chief Information Officer.
- We concluded that the plan to acquire and install the POD at a cost of \$3 million may not be the least costly available option. Specifically, we noted that over 3,000 square feet of the usable space in the NETL's existing data center is not currently utilized nor are there firm plans to use this space in the future. The unutilized 3,000 square feet of space represents about 70 percent of the data center's entire capacity. Despite this fact, project documentation submitted to the Chief Information Officer indicated NETL's intent to acquire additional capacity to support the User Center initiative. We do not question the need for the User Center. However, we concluded that documentation submitted to the Chief Information Officer to describe how the project will be implemented contained a number of analytical flaws and unsupported assumptions that, in our view, require reconsideration. Because decisions to proceed with the proposed acquisition are expected shortly, we are bringing these matters to your attention in the expedited form of a management alert. These issues were discovered during our on-going audit of *Efforts by the Department to Ensure Energy-Efficient Management of its Data Centers*.
- Based on discussions with NETL personnel who had responsibility for data center operations and facilities, respectively, we also determined that a lack of coordination existed related to the Office of Research and Development's preparation of the User Center project plan. Based on our review, we believe that the acquisition of additional data center space could undermine efforts to more effectively utilize existing real property and promote energy-efficiency of data centers. In addition, the use of Recovery Act funds to procure what may be unnecessary data center space raises serious concerns about the effective use of the Department's finite resources. We recognize that decisions such as the one proposed for the User Center are often more complex and nuanced than they might appear. However, we wanted to ensure that the Department was aware of the concerns we have before resource commitments were made regarding the path forward.
- Management stated that it concurred with the recommendations and factual accuracy of the Management Alert. However, management explained that while many of the concerns we

identified were accurately described, a number of them were already being addressed as part of the site's project management process.

- We commend management for initiating action to address a number of the issues identified in our report. We disagree, however, with a number of management's comments in response to our draft report. While we encourage NETL to select the User Center option that best meets mission needs at the lowest cost, we also remain concerned that incorrect information concerning this matter may have been submitted to the Office of the Chief Information Officer and to the Office of Management and Budget. Although NETL's current action to initiate a detailed study of the various User Center options is consistent with our recommendations, it is important that the Department, in consideration of alternatives, emphasize the principles established in Executive Order 13514, October 5, 2009, relating to *Federal Leadership in Environmental, Energy, and Economic Performance*, specifically those related to Federal data center management.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Report on "*Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act*", April 22, 2011 (A10RA052).

- Our review identified weaknesses with certain project management controls designed to support effective project decision making and ensure funding availability and transparency. Specifically,

- Los Alamos National Laboratory (Los Alamos) had not established an adequate risk rating for the Material Disposal Area B (MDA-B) project given the great uncertainty that existed at the time of project planning about waste volumes and hazards. As a

(b)(5)

- Additionally, Los Alamos had not fully implemented required baseline change controls processes and had not maintained an updated Project Execution Plan for the Technical Area 21 American Recovery and Reinvestment Act of 2009 (Recovery Act) work.

(b)(5)

(b)(5)

(b)(5) The MDA-B Project faced a budget shortfall of \$26.8 million, as of December 2010, to complete the project. (b)(5)

(b)(5)

☛ We did not identify any material issues with National Nuclear Security Association's compliance with Recovery Act requirements for reporting, segregation of funds, and flow down of requirements to subcontracts. Specifically, Los Alamos segregated Recovery Act costs and included Recovery Act requirements in subcontracts.

☛ We made several recommendations to improve project management of Los Alamos' management of environmental projects funded by the Recovery Act.

Team Leader: (b)(6)

AIC:

Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Potential Risks Concerning Annular Core Research Reactor (ACRR) Hotline Allegation Review (P11HL279)

- An interview was conducted on April 13, 2011, for a Hotline allegation involving "Concerns Regarding Nuclear Safety Mismanagement at Sandia Reactor (P11HL279)." The allegation was based on the Albuquerque Journal newspaper article entitled "Sandia's Reactor Puts Risk in Our Backyard." We determined that: (1) Sandia National Laboratories-New Mexico (Sandia) was aware of the article; (2) Sandia addressed "suspected" safety issues through the annual safety basis process; and, (3) the Sandia Site Office is directly involved in overseeing reactor operations and their safety. We interviewed four Sandia officials and three Sandia Site Office personnel. A Memorandum of Inspection Activity documented the interview to include the collection of Unclassified Controlled Nuclear Information. The memorandum was sent to Headquarters, Office of Inspector General.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

Potential Non-Compliance with 10 CFR 830 Requirements at the Los Alamos National Laboratory Hotline Allegation Review (P11HL266)

- The Western Region Inspections Office continued the work steps to determine if there is substance to an allegation that the Los Alamos Site Office Manager did not stop Los Alamos National Security, LLC from resuming waste drum remediation operations despite being aware of potential inadequacies in the safety analysis for the Waste Characterization Reduction and Repackaging facility. The inspection team traveled to Los Alamos to conduct several interviews of Los Alamos Site Office officials and conducted a number of document reviews.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

Assessment of the Office of Intelligence's "Continuity of Operations and Intelligence Readiness" (S11IS002)

- On April 19, 2011, the Assistant Inspector General for Inspections, and the Lead Inspector, attended the AIG for Inspections Working Group Forum (hosted by the Office of the Director of National Intelligence Office of Inspector General (OIG)) to brief preliminary results of the OIG's inspection. Eight OIGs briefed and identified issues with program oversight, planning, and preparedness.

Team Leader: (b)(6)
Lead Inspector: (b)(6)

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

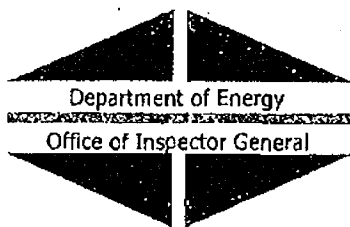
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending May 6, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Potential Waste of Funding at Los Alamos National Laboratory Hotline Allegation Review
(P11HL277)

- This week the Western Region Inspections Office received an allegation concerning Los Alamos National Laboratory (LANL) potentially wasting funds on a paving project that was subcontracted out instead of being completed by LANL. In addition, the allegation

questions the layoffs of individuals that are Q-cleared and substituting them with individuals that are not Q-cleared. The inspection team is developing work steps and has contacted the LANL Audit Liaison to coordinate key interviews.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

*Potential Non-Compliance with 10 CFR 830 Requirements at the Los Alamos National Laboratory
Hotline Allegation Review (P11HL266)*

- The inspection team conducted interviews of Los Alamos Site Office officials, including the Site Office Manager to determine if the Los Alamos Site Office (LASO) Manager failed in his responsibilities by not stopping the Contractor from resuming waste drum remediation operations despite being aware of potential inadequacies in the safety analysis for the facility. Final briefing and summary documents are being prepared to inform OIG management of results of this inquiry.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

Team Member:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

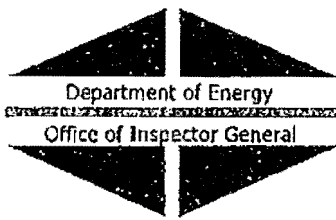
- On May 5, 2011, the Director, Eastern Region, Office of Inspections, conducted a WebEx briefing for officials from the Office of Energy Efficiency and Renewable Energy on the Office of Inspections' processes and products. Members of the Office of Audits and the Office of Investigations were also in attendance."
-

JOYS, CARES, CONCERNS:

- ✉ Congratulations to Todd Siemering (Inspections) whom will be getting married on May 7, 2011.
-

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending May 13, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

The Department of Energy's K-25 Building Decontamination and Decommissioning Project;
A10ET022; May 13, 2011

- The East Tennessee Technology Park, formerly the Oak Ridge Gaseous Diffusion Plant, began operations in World War II as part of the Manhattan Project. As the Department of Energy's missions changed, operations ceased and the Department began its environmental cleanup of the site. In 2001, the Department initially estimated that it would complete the decontamination and decommissioning (D&D) of both the K-25 building and its sister facility, the K-27 building, at a cost of \$460 million. We initiated this audit to determine if the Department had effectively managed the D&D project.
- We determined that problems with contract administration and project management for the K-25 D&D Project likely impacted the Department's ability to effectively manage the many technical challenges it encountered. For example, the Department:
 - Lacked the ability to ensure that contractor reports on cost and schedule performance were accurate, because the cost and schedule estimates used to measure performance in the contractor's Earned Value Management System were not based on an independent Government cost estimate and had not been developed from the bottom-up, as required.
 - May not have fully understood the scope and severity of technical challenges, because it did not analyze for merit or otherwise review the outstanding issues described in Requests for Equitable Adjustment submitted by the contractor until the contract was renegotiated in 2008.
 - Did not fully update its \$622 million cost baseline for completing the K-25 Project. As of February 2011, the Department had not approved a revised baseline for completing the project despite its recognition that project completion may not

occur until 2016 and the total cost could almost double, rising to as much as \$1.2 billion.

■ While we could not directly link the contract and project management weaknesses we observed with discrete cost and schedule impacts, in our opinion, these weaknesses adversely affected management's ability to fully understand the true cost of the K-25 D&D project and to effectively manage costs. For example,

- Although there were technical differences in the two cleanup efforts, the Department had not prepared separate project baselines for the K-25 and K-27 D&D efforts until 2008.
- The Department also had not assigned adequate staff or provided dedicated, consistent project leadership to oversee the project.

■ In recognition of the issues facing the K-25 effort, the Department had taken a number of contract related actions and plans to address staffing issues. However, additional action is necessary to prevent further cost increases and project delays and to reduce the risks associated with safety and environmental problems posed by the K-25 building. Accordingly, we made a series of recommendations designed to help strengthen overall project management for the K-25 Project.

Team Leader: (b)(6)
AIC:
Audit Staff:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

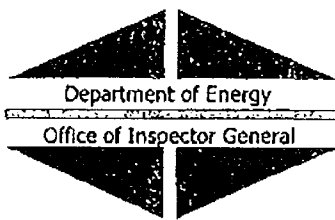
- On May 10, 2011, the Deputy Inspector General for Audits and Inspections, the Assistant Inspector General for Inspections and the Office of Inspections, Headquarters' personnel, attended the 17th Annual Intelligence Community Inspectors General Conference held at the Defense Intelligence Agency's Defense Intelligence Analysis Center. Conference speakers presented information on matters relating to the Intelligence Community, including overall procedures for intelligence oversight.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors

Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending May 20, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Report on "The Use of American Recovery and Reinvestment Act of 2009 Funds on Solid Waste Project Activities at the Department of Energy's Hanford Site", May 19, 2011, OAS-RA-L-11-08, (A10RA041)

- The Department of Energy's (Department) Richland Operations Office (Richland) awarded a contract to CH2M HILL Plateau Remediation Company (CHPRC) to remediate Hanford Site's (Hanford) Central Plateau. The Department allocated \$315 million in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to support Hanford's Solid Waste Project under the CHPRC contract. Performance metrics were established to measure actual work accomplished and to determine if Recovery Act goals for the Solid Waste Project were met. Because of the significant increase in funding, we initiated this audit to determine if the Department effectively managed Hanford's Solid Waste Project Recovery Act activities.
- We determined that although the Department had met its goal to retrieve remote-handled transuranic (TRU) waste, and is on track to meet its goals for TRU waste repackaging and contact-handled TRU waste disposal, it is behind schedule for contact-handled TRU waste retrieval and mixed low level waste shipping. In particular, CHPRC:
 - Is behind schedule to meet the goal of retrieving 2,500 cubic meters of contact handled TRU waste by September 30, 2011. As of March 2011, CHPRC had only retrieved 846 cubic meters of waste and had only 6 months remaining to retrieve the remaining 1,654 cubic meters of waste.
 - May not be able to meet the goal of shipping 1,800 cubic meters of mixed low-level waste by September 30, 2011. As of March 2011, CHPRC's shipment of a cumulative total of 1,249 cubic meters was behind its target value of 1,427 for that date. We noted that CHPRC was initially able to ship from its backlog of mixed low-level waste that was in storage. However, for the remaining waste volumes, CHPRC will first have to retrieve waste from burial grounds, which will be more difficult and time consuming.
- According to management officials, Richland has implemented procedures to bring the contact-handled waste retrieval back on schedule, including adjusting procedures for handling TRU waste and evaluating various options, such as using an off-site treatment facility to repack the waste into standard waste boxes. We believe that the Department's planned actions, if successfully implemented, should help mitigate the issues we identified. Therefore, we made no recommendations for further corrective action.

Team Leader:
AIC:
Audit Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on, *The Department of Energy's American Recovery and Reinvestment Act – California State Energy Program*, May 16, 2011, (A10RA001)

■ The California Energy Commission (Commission) received a State Energy Program (SEP) Recovery Act grant of \$226.1 million, the largest SEP grant awarded by Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE). The Commission planned to use the vast majority of these funds, \$193 million, to provide energy efficiency retrofits for 29,000 residential and 5,500 commercial buildings and to create 2,100 jobs. Of the \$193 million, the Commission planned to use \$80.6 million to provide loan capital for business equipment and public building retrofits and \$113 million for incentive programs to encourage energy efficiency retrofits of existing residential and commercial buildings. The remaining \$32.4 million was for program management and green jobs training. EERE program guidance emphasized that states were responsible for administering the SEP and required each state to implement controls over the use of Recovery Act funds. Because of the states' role in the implementation of the Recovery Act, we initiated this review to determine whether the Commission was effectively administering its SEP Grant. Because of the states' role in the implementation of the Recovery Act, we initiated this review to determine whether the Commission was effectively administering its SEP Grant.

- We found that the Commission experienced delays in executing its plan to spend SEP Recovery Act funds. In fact, (b)(5) or nearly 2 years after SEP funds became available in June 2009, the Commission had spent only (b)(5) million of its \$226.1 million award. Spending was primarily confined to direct loans for state and municipal building retrofits and green jobs training. Further, we discovered that, although the Commission had made progress in resolving weaknesses revealed by several SEP specific audits, it had not completed all necessary actions to monitor sub-recipients of SEP funds. Finally, we determined that EERE had not effectively monitored the Commission's actions to correct previously discovered program weaknesses.
- Numerous factors contributed to delays the Commission experienced in its implementation of its energy efficiency building retrofit projects. Initially, the Commission planned to award building retrofit loans and contracts by February 1, 2010; however, delays occurred as the Commission worked to comply with Recovery Act specific requirements. Regulator concerns, as well as litigation, led the Commission to cancel its plan to use Property-Assessed Clean Energy (PACE) financing as an incentive for residential and commercial energy efficient building retrofits. Concerns and litigation about PACE effectively delayed the Commission's plans to incentivize residential and commercial retrofits by almost a year after originally planned. Given the delays experienced, the Commission is at risk of not spending its Recovery Act funding by April 30, 2012, as required by the grant award, and meeting its building retrofit goals.

- Although the Commission had made progress in correcting previously identified weaknesses, it had not completed all necessary actions to monitor SEP fund sub-recipients. Further, EERE had not effectively monitored the Commission's actions to correct internal control weaknesses. We concluded that the roles and responsibilities for following up on the weaknesses were not defined and coordinated between EERE's Field Performance Management Office of Field Operations (Headquarters), Golden Field Office (GFO) and National Energy Technology Laboratory (NETL). Although Headquarters' October 2010 memorandum instructed the Commission to send its response to GFO, it did not coordinate GFO's role in the resolution process. GFO officials told us that they believed it was NETL's responsibility to follow up on audit report findings. Conversely, NETL officials told us that they only follow up on Office of Management and Budget A-133 Single Audit Act financial statement audits. EERE management stated that it has continuously reviewed and updated the roles and responsibilities of Project Officers engaged in monitoring. EERE also stated that a Single Audit Resolution and Management Decision Process was developed by a working group in 2010, which involves cross functional groups. Nonetheless,

(b)(5)

- The Commission's delays and the control concerns may impact its ability to meet SEP Recovery Act goals. Although the SEP state plan estimated that the \$193 million Recovery Act investment would result in energy efficiency retrofits for 29,000 residential and 5,500 commercial buildings and create 2,100 jobs by April 30, 2012, the Commission had reported only 210 jobs created and 85 completed commercial and residential retrofits as of December 31, 2010. In fact, only 30 retrofits were completed in the last quarter of 2010. With close to a year remaining in the grant, the Commission will need to increase its completion rate exponentially, to approximately 5,800 residential and 1,083 commercial unit retrofits each quarter to reach its retrofit goals.

- We recommended that the Deputy Assistant Secretary for Energy Efficiency establish and implement clearly defined roles and responsibilities to ensure that the Commission's internal control weaknesses are resolved; aggressively monitor the Commission's progress toward achieving its SEP Recovery Act goals and take appropriate action to maximize the achievement of those goals; and, determine whether completion of the Commission's planned actions are possible, and, as appropriate, reallocate funds to other projects if necessary.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

Continuity of Operations and Intelligence Readiness (S11IS006)

- On May 20, 2011, the Eastern Region Director, Lead Inspector and team provided a status brief to the Deputy Inspector General for Audits and Inspections and the Assistant Inspector General for Inspections. The team briefed tentative findings related to both the Department's and the Office of Intelligence and Counterintelligence's (IN) Continuity of Operations (COOP) program, as well as IN's Continuity Implementation Plan, Continuity Communications, and Contractors. Fieldwork regarding concerns developed during the inspection is ongoing.
-

OTHER INSPECTION ACTIVITY:

Organizational Conflicts of Interest Program at Sandia National Laboratories (S10IS006)

- Management comments were received from NNSA on May 13, 2011, in response to the Official Draft Report. The Western Region Inspections Office is in the process of reviewing these comments and preparing the Final Report package which will be forward to Headquarters for issuance.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

Potential Waste of Funding at Los Alamos National Laboratory Hotline Allegation Review (P11HL277)

- This week the Western Region Inspections Office has been reviewing an allegation which claims that Los Alamos National Laboratory (Los Alamos) potentially wasted funds on a paving project that was subcontracted to an outside company instead of utilizing Los Alamos in-house personnel and equipment. The inspection team is currently interviewing key officials at Los Alamos.

Team Leader: (b)(6)
Lead Inspector: (b)(6)
Team Member:

*Potential Non-Compliance with 10 CFR 830 Requirements at the Los Alamos National Laboratory
Hotline Allegation Review (P11HL266)*

- The inspection team is preparing the final briefing and summary documents that will document our conclusion that there is no substance to the complainant's allegation that the Manager, Los Alamos Site Office, failed in his responsibilities by knowingly allowing Los Alamos National Security, LLC (LANS), to operate a high-hazard nuclear facility when it was not in compliance with 10 CFR 830, "Nuclear Safety Management" requirements. We will recommend closure of work efforts on this Hotline Complaint; however, if any additional information is provided, we may, consistent with the OIG's risk ranking strategy, perform additional work.

Team Leader: (b)(6)
Lead Inspector: (b)(6)
Team Member:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

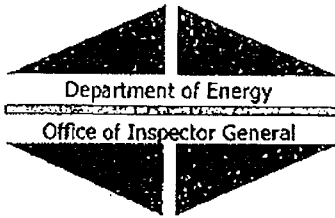
JOYS, CARES, CONCERNS:

- The Office of Inspections was notified that Inspector Alex "Jason" Miller has been accepted for the position of Criminal Investigator with the Livermore Office of Investigations. While we will miss Jason's skill as an Inspector, the OIG gains a great employee as an Investigator. We wish him the best in his new career!

One of our Las Vegas Audit family has lost a loved one. Mary Hibben's (b)(6)
(b)(6) The services will be held at Elizabeth Ann Seton
Church on Monday, May 23, 2011. She has requested no flowers. Cards can be sent to
Mary at her home address: (b)(6)

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
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Assistant Inspector General for Inspections
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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending May 27, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On May 25, 2011, an Exit Meeting was held at the Department of Energy, Office of Inspector General (OIG) conference room to discuss the OIG Eastern Region's inspection report on "Alleged Violations of Executive Order 12333, U.S. Intelligence Activities – Improper Retention of Information on U.S. Persons" (SI IIS003). The purpose of the formal Exit conference was to allow responsible management officials from the Office of Intelligence and Counterintelligence and the Office of the General Counsel the opportunity to discuss their assessment of our final report on this matter. As a result of the meeting, no major changes were made to the report. The exit conference included the IG, the AIGS, Director – Eastern Inspections (ER) Region, and ER Inspection's staff.

- On May 25, 2011, our Letter Report on "Implementation of Nuclear Weapons Quality Assurance Requirements at Los Alamos National Laboratory" (S10IS001) was provided to the Los Alamos Site Office, specifically the Manager, Office of Quality Assurance. The purpose of providing this report to the program was to allow responsible management officials from the Los Alamos Site Office the opportunity to discuss their assessment of our final report on this matter. As a result of the Manager's review, no major changes were made to the report.
- On May 26, 2011, a Message Meeting was conducted with the AIGS on the "Alleged Misuse of ARRA Weatherization Funds by the Western Arizona Council of Governments (WACOG)" (S11IS005). The inspection identified, among other things, that: 1) the State of Arizona and WACOG were not reporting completed unit information accurately and in accordance with Department policy; 2) WACOG made a number of capital expenditure over \$5000 using ARRA funds that were not preapproved by the awarding agency; and, 3) WACOG paid \$104,470 for renovations associated with a lease in Kingman, Arizona, without documentation supporting the value of work performed or the fair market value of the rental property. As a result of the Message Meeting with the AIGS, it was agreed that certain revisions will be made to the Message Meeting document, and that a Message Meeting will tentatively be scheduled with the DIGAI for June 1st.

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

TRAINING:

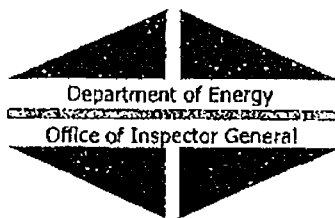
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Audit Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending June 10, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Report on the "Follow-up Audit of National Nuclear Security Administration's Nuclear Explosive Safety Study Program," June 8, 2011, OAS-L-11-04, (A10LV009)

- One of the primary missions of the National Nuclear Security Administration (NNSA) is to maintain the safety, security, and reliability of the nation's nuclear weapons stockpile. Many of the nuclear explosive operations related to this mission, including assembly, disassembly, surveillance, refurbishment, and dismantlement of nuclear weapons, are performed at the Pantex Plant (Pantex) near Amarillo, Texas.
- The Department requires that a Nuclear Explosive Safety (NES) study be conducted and approved before any nuclear explosive operations are performed due to the unacceptable consequences of an accident. NES studies are formal evaluations of proposed nuclear explosive operations to determine the adequacy of controls to prevent inadvertent or accidental detonations or fissile material dispersals.
- In January 2003, the OIG issued *National Nuclear Security Administration's Nuclear Explosive Safety Program* (DOE/IG-0581), and reported that comprehensive NES studies had been delayed for six of the nine nuclear weapon types that were active in the nation's stockpile. We initiated this follow-up audit to determine whether NES studies and evaluations of nuclear explosive operations were timely and complete.
- Our current review disclosed that all appropriate required NES studies and operational safety reviews (OSRs) were completed and approved by NNSA. However, we noted that most NES studies and OSRs included issues of concern that were designated as post-start findings that were unresolved for periods ranging from 5 months to nearly 12 years. According to nuclear explosive safety experts, actions taken to address post-start findings

serve to enhance nuclear explosive safety, but are not considered critical enough to suspend operations.

- Given that, for the most part, required NES studies and OSRs were completed and approved by NNSA, we did not make any formal recommendations. However, to further enhance nuclear explosive safety, we suggested that the Manager, Pantex Site Office direct Pantex to improve its processes regarding post-start findings by: (i) documenting the basis for requests for due date extensions; and (ii) reviewing the reasons why the extended due dates were not met.

Team Leader:

AIC:

Staff:

(b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- The Corporate Audit Group held an entrance conference on Monday, June 6, 2011 at Headquarters. The audit title is: "Review of the Department of Energy's Office of Environmental Management's Budget Allocation Plan" (A11CP036). The purpose of the audit is to determine if the Office of Environmental Management is effectively managing and planning for declining budget allocations. OIG personnel in attendance: (b)(6)

(b)(6)

(b)(6) Department personnel in attendance were representatives from the Office of Environmental Management and Office of the Chief Financial Officer.

- An entrance conference was held on June 6, 2011 to discuss the audit of "Incurred Costs for Bechtel BWXT Idaho Contract for Fiscal Year 2011" (A11ID037). At the entrance conference were representatives from KPMG, Office of Environmental Management, and Bechtel BWXT. The purpose of the audit will be to determine whether incurred costs of the Department of Energy's contract with Bechtel for Fiscal Year 2011 are allowable, allocable, and reasonable. In attendance from the Office of Inspector General were

(b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Internal Audit Services Activity in Response to an OIG Inspection Report

- As a result of our Final Report on "Management of Controlled Substances at Lawrence Livermore National Laboratory" issued on February 10, 2011, Livermore Internal Audit Services conducted a supplemental audit of Livermore's inventory controls over controlled substances. In their report dated June 3, 2011, Internal Audits noted that six additional controlled substances were identified which had not been previously documented as "controlled." Management took actions to ensure that these items were promptly secured.

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Information System Security Awareness Annual Training must be completed by June 30, 2011.
- 2011 Continuity of Operations (COOP) Awareness Training must be completed by July 29, 2011.

ACTION ITEM REPORTS ATTACHED:

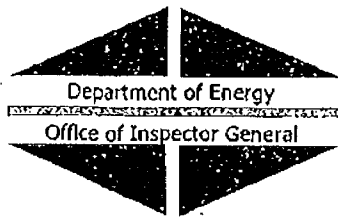
OTHER MATTERS:

- Congratulations to Michael Sinko, Director for Staff & Technical Assistance, who earned the credential of Enrolled Agent (EA). An EA is a tax professional tested by the Internal Revenue Service (IRS) on their knowledge of tax law and regulations. An EA is a federally-authorized tax practitioner who has technical expertise in the field of taxation and are the only tax practitioners licensed by the Department of the Treasury to represent taxpayers before all administrative levels of the IRS on issues including collection, audits and appeals.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
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Weekly Activity Report Office of Audits and Inspections

Ending July 8, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on "Performance of Recovery Act Funds at the Waste Isolation Pilot Plant"
(A10RA037); OAS-RA-L-11-09; July 7, 2011

- The Carlsbad Field Office (Carlsbad) was allocated \$172.4 million under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to accelerate the Department of Energy's transuranic waste disposal goals. Carlsbad set goals to create or retain 400 jobs, enhance the Waste Isolation Pilot Plant's (WIPP) infrastructure to accommodate increased waste shipments, add resources to increase shipments from 24 to 35 per week, and increase the amount of waste certified for disposal by 10,000 cubic meters. The Office of Environmental Management established a September 30, 2011, deadline for expenditure of all Recovery Act funding and completion of the associated work scope.
- Carlsbad increased the shipments to the Waste Isolation Pilot Plant by 26 percent using Recovery Act funds, but its goal to accelerate shipments to WIPP from 24 to 35 per week was only achieved twice between May 2009 and December 2010. During that timeframe, average shipments reached 24 per week, 31 percent below the Recovery Act goal. Also, Carlsbad's Recovery Act goal to certify 10,000 cubic meters of transuranic waste for disposal at WIPP was reduced to 8,570 cubic meters in March 2010 and then to 6,255 cubic meters later in 2010. By December 2010, it was doubtful Carlsbad would meet this reduced goal by the end of FY 2011 because it was already behind its new schedule.
- Although waste shipment and certification goals were not being met, Carlsbad reported through its Earned Value Management System (EVMS) scores that both transportation and certification metrics were on track. This occurred because Carlsbad was using the EVMS to track resources available for use, rather than the performance achieved using those resources. We noted, however, that reporting favorable EVMS scores based solely on resource availability presented an inaccurate picture of both performance and resource utilization.
- Management agreed that it had not consistently met its waste shipment and certification goals. It attributed much of this to inaccurate waste estimates, regulatory delays, inclement weather, and operational constraints beyond its control. However, Carlsbad also implemented a new acceleration plan with corrective actions designed to improve performance. In addition, Carlsbad's reporting of shipping and certification rates to senior management provided alternative information to the EVMS scores. In consideration of the improvements and practices already implemented in performance management, we suggested Carlsbad ensure future EVMS performance metrics provide feedback on actual programmatic performance.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Letter Report on "Implementation of Nuclear Weapons Quality Assurance Requirements at Los Alamos National Laboratory," July 6, 2011 (S10IS001)

■ Because of past issues and the importance of having effective quality management systems, we initiated this inspection to determine if the Department of Energy/National Nuclear Security Administration (NNSA) Weapon Quality Policy (QC-1) requirements were being appropriately applied within Los Alamos' nuclear weapons programs. Our inspection did not identify any material issues with Los Alamos' quality management system. For the quality assurance component and process surveys we reviewed, we specifically noted that officials took action to develop and implement corrective actions designed to correct specific issues.

■ We did, however, identify a potential opportunity to improve the effectiveness of the program. Specifically, we found that Los Alamos may not have focused on identifying and evaluating the cause or causes of frequently cited weaknesses related to certain design and production activities. We suggested that the Manager, Los Alamos Site Office, and the Quality Assurance Manager, Los Alamos Site Office, continue to fully implement quality assurance throughout the Laboratory and ensure that Los Alamos addresses recurring deficiencies consistent with the requirements of QC-1.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On June 30, 2011, the Eastern Region held an Entrance Conference with the National Nuclear Security Administration and Department management to discuss the inspection, "Follow-up Review of Control and Accountability of Emergency Communication Network (ECN) Equipment." The purpose of the inspection is to determine if Department officials have effectively implemented corrective actions associated with a 2004 inspection report concerning ECN accountability.
-

OTHER INSPECTION ACTIVITY:

- On June 13, 2011, the Western Region coordinated a meeting with the Sandia Site Office Contracting Officer and the National Nuclear Security Administration (NNSA) Service Center Patent Counsel to discuss NNSA's comments to our Draft Report on "Organizational Conflicts of Interest Program at Sandia National Laboratories." Specifically, the meeting was arranged to discuss NNSA's position that license agreements with Lockheed Martin Corporation (LMC) in the form of Government Use Notices and Test and Evaluation licenses did not have to be reviewed and approved by the Contracting Officer. As a result of this meeting, it was agreed that Government Use Notices and Test and Evaluation licenses with LMC would be reviewed by the Contracting Officer to assess any potential Organizational Conflict of Interest issues. On June 17, 2011, NNSA provided their revised comments to the Draft Report which were incorporated into the Final Report Package.
-

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Continuity of Operations (COOP) Awareness Training must be completed by July 29, 2011.
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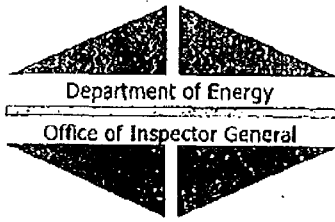
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending July 15, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on *"Alleged Violations of Executive Order 12333, U.S. Intelligence Activities – Improper Retention and Dissemination of Information on U.S. Person,"* (S11IS003), DOE/IG-0852, July 8, 2011

- The collection, retention and dissemination of intelligence data involving U.S. Persons is generally governed by Presidential Executive Order (E.O.) 12333, *United States Intelligence Activities, as amended*, July 2008. U.S. Persons, "include United States citizens, aliens known to be permanent resident aliens, or companies incorporated in the United States. The E.O., which emphasizes protecting the legal rights of all U.S. Persons, authorizes Federal entities to collect information to protect the Nation against threats of espionage, terrorism and the use of weapons of mass destruction. Within the Department of Energy, the Office of Intelligence and Counterintelligence (CI) is responsible for collecting, reviewing, analyzing, investigating and acting on concerns ranging from foreign intelligence to potential and actual terrorist activities! As a means of quickly disseminating and acting on items of critical intelligence, the Department developed SPOT Reports, which were intended to record and communicate information that could merit national-level attention and require expeditious action. SPOT Reports may contain information on "
- We received an allegation that the rights of U.S. Persons had been violated during the course of current Department intelligence gathering efforts. Our inspection substantiated certain aspects of the allegation. While we took no exception to collection techniques, we found that the Department had not always adequately managed SPOT Reports. We discovered that the dissemination, review, retention and deletion of SPOT Reports containing information on U.S. Persons did not always comport with the Department's procedures and CI's internal Professional Guide.
- Specifically, we found that: that: Even though the primary purpose of SPOT Reports was to communicate critical national level intelligence matters, reviews of reports developed by field officers were either not timely or in some cases, were never performed. Action was not always taken to determine whether a foreign nexus existed regarding SPOT Reports containing U.S. Persons information; Some SPOT Reports were retained beyond the maximum one-year retention deadline; Officials were unable to affirmatively track and monitor SPOT Reports; Annual purges conducted to delete SPOT Reports were not completely effective. We made two recommendations to address these concerns.

As a result of our inspection CI officials discontinued the use of SPOT Reports on U.S. Persons. The action, if sustained, should address most of the problems. However, additional attention is necessary to ensure that retained information is completely and timely purged and that CI staff is provided additional guidance on the retention of U.S. Persons information.

Team Leader: (b)(6)

Report on "Organizational Conflicts of Interest Program at Sandia National Laboratories,"
(S10IS006), DOE/IG-0853, July 12, 2011

■ Our inspection revealed a number of areas where Sandia could improve its Organizational Conflicts of Interest (OCI) process to prevent potential or actual organizational conflicts of interest. Although specifically required by Federal Regulation and contractual provisions, Sandia had not completed a number of OCI-related activities. In particular, Sandia had not:

- Conducted OCI reviews of all Technology Transfer License Agreements (License Agreements) between Sandia and its parent, Lockheed Martin, nor had it provided all License Agreements to NNSA for review and approval prior to the release of technology to Lockheed Martin;
- Ensured that OCI reviews were completed on Work for Others (WFO) projects that were initiated between Sandia and Lockheed prior to sending them to NNSA for review and approval;
- Performed adequate reviews on Cooperative Research and Development Agreements (CRADAs) with Lockheed to identify actual or potential OCI issues; and,
- Notified NNSA or completed OCI reviews when subcontracts were initiated with Lockheed Martin, when Lockheed acquired Sandia subcontractors, or when the period of performance and dollar amount of a sole-source contract with Lockheed materially exceeded the original award.

■ We also found that Sandia personnel who worked directly with Lockheed on WFO projects and CRADAs were not aware of the process for releasing information that may have been proprietary to the parent corporation.

■ We made a series of recommendations to the Manager, Sandia Site Office, to provide adequate Federal monitoring of Sandia's OCI Program to ensure that LMC is not given an unfair competitive advantage or that proprietary data and technology is appropriately protected.

■ NNSA management generally agrees with the report and the recommendations, and indicated that Sandia has already initiated improvement efforts in several areas to strengthen its OCI program. NNSA management also identified a series of comprehensive actions they plan to take in order to ensure the integrity of Sandia's OCI program, to include specific actions they will direct Sandia to take. In addition, Sandia stated that they are in agreement with the overall conclusions of the report, and that the conclusions are reflected in the recommendations.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

■ The East Tennessee Technology Park, formerly the Oak Ridge Gaseous Diffusion Plant, began operations in World War II as part of the Manhattan Project. As the Department of Energy's (Department) missions changed, operations ceased and the Department began its environmental cleanup of the site. In 2001, the Department estimated that it would decontaminate and decommission (D&D) both the K-25 building and its sister facility, the K-27 building, at a cost of \$460 million. We initiated this audit to determine if the Department had effectively managed the K-25 Building D&D Project.

■ We determined that problems with contract administration and project management likely impacted the Department's ability to effectively manage the many technical challenges it encountered during its attempts to complete the Project. For example, the Department:

- Was unable to confirm that contractor reports on cost and schedule performance were accurate. Because the cost and schedule estimates used to measure performance in the contractor's Earned Value Management System were not based on an independent Government cost estimate and had not been developed from the bottom-up, as required, they proved to be unreliable.
- Had not performed timely analyses to evaluate the merit of outstanding issues described in Requests for Equitable Adjustment submitted by the contractor from 2004 to 2006. Timely reviews of the contractor's basis for making the requests would have better informed the Department of cost and schedule challenges, the manner in which the contractor was addressing them, and provided the opportunity to promptly intervene to protect the government's interest in the Project as it evolved.
- Had not fully updated its \$622 million cost baseline for completing the K-25 Project. As of February 2011, the Department had not approved a revised baseline for completing the Project despite its recognition that project completion may not occur until 2016 and the total cost could almost double, rising to as much as \$1.2 billion.

■ While we could not directly link the contract and project management weaknesses we observed with discrete cost and schedule impacts, in our opinion, there was little doubt that these weaknesses adversely affected management's ability to effectively manage the burgeoning cost of the K-25 D&D Project. For example,

- Although there were technical differences in the two cleanup efforts, the Department had not prepared separate project baselines for the K-25 and K-27 D&D efforts until 2008.
- The Department also had not assigned adequate staff or provided dedicated, consistent project leadership to oversee the Project.

■ Accordingly, we made a series of recommendations designed to help strengthen overall project management for the K-25 Project. The Oak Ridge Office generally agreed with the report's findings and recommendations. Management also provided information on completed and planned corrective actions.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- An Entrance Conference was conducted on Thursday, July 14, 2011, for the inspection titled *Fixed Monthly Living Expenses at Lawrence Livermore National Laboratory*. This management inspection was initiated as a result of a referral by the Office of Investigations and will evaluate the payment of fixed monthly living expenses to sub-contractor employees working at LLNL, and maintaining two residences because of this employment.

Lead Inspector: (b)(6) (S11IS008)

OTHER INSPECTION ACTIVITY:

- A message meeting was held on Tuesday, July 12, 2011, for the inspection titled *Alleged Misuse of ARRA Weatherization Funds by the Western Arizona Council of Governments (WACOG)*. As a result of this meeting, it was agreed that a Recovery Act report would be drafted by the Lead Inspector to address the allegation and certain other matters that came to our attention while conducting our fieldwork.

Lead Inspector: (b)(6) (S11IS005)

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Continuity of Operations (COOP) Awareness Training must be completed by July 29, 2011.

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

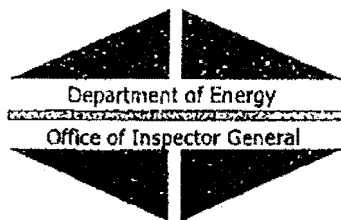
JOYS, CARES, CONCERNS:

- Congratulations to Darryl Wittenburg of the Energy Audits Division (Pittsburgh) on the birth of his (b)(6)

(b)(6)

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Director for Staff and Technical Assistance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending July 22, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on "*Department of Energy's Controls over Recovery Act Spending at the Idaho National Laboratory*" (A10RA038); OAS-RA-L-11-10; July 21, 2011

- The Department of Energy's (Department) Office of Environmental Management (EM) oversees two major contracts for cleaning up the legacy contamination at the Idaho National Laboratory (INL). The main EM contractor, CH2M•WG Idaho, LLC (CWI) received \$422.75 million in Recovery Act funding, while Bechtel BWXT, Idaho, LLC (Bechtel) received \$22.5 million. Because of the significance of this Recovery Act work and the plan to accelerate cleanup operations, we initiated this audit to determine if the Department efficiently and effectively managed Recovery Act funded projects under the CWI and Bechtel contracts.
- We found that CWI and Bechtel were generally on schedule to meet established cost and schedule estimates for Recovery Act funded work. Additionally, for the projects that we reviewed, we did not identify any material issues with CWI and Bechtel compliance with selected Recovery Act requirements, including the segregation of funds. However, for the CWI Recovery Act funded work, we identified certain weaknesses in the manner in which the Idaho Operations Office managed the CWI contract and measured performance for fee determination purposes.
- In particular, the Department measured CWI's cost performance for the Recovery Act funded deactivation and decommissioning (D&D) and Subsurface Disposal Area (SDA) waste exhumation work against the original target cost of \$218.8 million established in 2005, rather than using the more current, detailed cost estimate of \$120.8 million, which was developed in 2009 to fund this Recovery Act work. Specifically, the Department's 2005 contract with CWI established a target cost of \$218.8 million to complete a portion of the D&D and SDA projects. However, in 2008, the Department postponed CWI's work on these projects beyond the contract's 2012 expiration date due to changing funding priorities. In 2009, the Department decided to use Recovery Act funding to perform the previously postponed D&D and SDA work. As a requirement for receiving the funding, CWI prepared a detailed estimate which determined the work could be completed for \$120.8 million, or approximately \$98 million less than the \$218.8 million target cost established in 2005. The Department used the \$120.8 million estimate to obligate Recovery Act funds for the previously postponed work and required completion of the work by September 2011, effectively bringing this work back into the contract. However, the Department continued to measure the contractor's cost performance for incentive fee determination purposes against the original \$218.8 million target cost established in 2005.

- Department officials asserted that the original \$218.8 million estimate was appropriate and fair to use for incentive fee determination purposes, since this amount was established in the competitively awarded contract in 2005. Management stated that it would not be fair to reduce the contractor's fee earning potential by measuring performance against the lower cost estimate since the reason for the lower estimate was the contractor's efficiencies in completing this work. However, we concluded that had the Department taken action to modify the contract and remove the postponed work scope from the contract as required, the Department could have then renegotiated the target cost in 2009 when Recovery Act funds became available. Accordingly, we made several suggestions for improving contract management.

Team Leader: (b)(6)

AIC: (b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Report on *"The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee"*, July 21, 2011, (A10RA022)

- Tennessee's Department of Human Services (Tennessee) administers its Weatherization Assistance Program (Weatherization Program) grant through 18 local agencies. These local agencies are responsible for determining applicant eligibility; performing initial home assessments to determine appropriate weatherization measures needed; awarding contracts to weatherize homes; and, conducting final inspections of completed homes. State officials reported that Tennessee had, by September 2010, achieved its Recovery and Reinvestment Act of 2009 (Recovery Act) goal of weatherizing more than 10,500 homes. The State (b)(5)

- Given the significant increase in funding and the demands associated with weatherizing thousands of homes, we initiated this audit to determine if Tennessee had adequate safeguards in place to ensure that the Weatherization Program was managed efficiently and effectively. To perform our audit, we analyzed Tennessee's management of the Weatherization Program and reviewed the weatherization activities of three local agencies: East Tennessee Human Resources Agency, Inc. (ETHRA), Upper East Tennessee Human Development Agency, Inc. (Upper East), and Shelby County Community Services Agency (Shelby County).

- Tennessee, while achieving its production goals, had not always ensured that the Program was managed efficiently and effectively. Specifically:
- Although prohibited by State and Federal regulations, we found that contractors for local agencies installed weatherization measures that did not meet minimum savings-to-investment ratios. Our analysis of 246 energy measures installed in 41 homes revealed that only a third were shown to meet Department-directed minimum energy savings-to-investment ratios. Consequently, we questioned about \$100,000 claimed for these measures;
 - Change orders to competitively awarded weatherization work contracts had not been approved, as required, prior to completion of the work and local agencies had not ensured that the changes were cost-effective. In our review of documentation

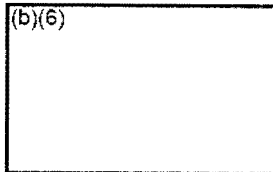
supporting the weatherization of 68 homes at ETHRA, Upper East, and Shelby County, we found that on at least 40 occasions, energy measures had either been added to or deleted from the original planned work. Work order changes were often not approved until the work was invoiced and were made without benefit of competition and in the absence of any cost-benefit analysis. As a result of our test work, we questioned costs associated with the change orders, and the State subsequently disallowed \$15,500; and,

- Several homes at one agency had previously received weatherization services making these homes ineligible for additional services. Specifically, we noted that three homes had received Federally funded weatherization services after September 30, 1994, a fact that made them ineligible for new Recovery Act funded weatherization assistance. Since these homes were ineligible for further services, we questioned about \$12,000 spent to weatherize them.

■ In addition to our work at the three local agencies, we also observed recurring problems with the quality of weatherization work across the entire state. During the period from July 2009 to January 2011, State monitors found that 317 of the 879 homes they re-inspected at the local agencies across the State (about 36 percent) required additional work. In these situations, local agency inspectors failed to identify problems that were later discovered during State reviews. While State officials took action to ensure that the issues leading to inspection failures were addressed on an individual home basis, at the time we began our review they had not initiated action to address what appeared to be systemic problems related to poor quality work and final agency-level inspection processes. During 2010, however, State officials told us that they began performing trend analyses and through these actions had identified poor performing contractors and agency inspectors. The State reports that it is now focusing its re-inspection efforts on those poor performers.

■ These problems occurred due to a combination of Program weaknesses, including personnel who were unfamiliar with the analytical tools used to demonstrate cost-effectiveness of weatherization measures, inadequate local agency final inspections, and the lack of adequate controls over work change orders in the State. Weaknesses in Tennessee's Weatherization Program can pose health and safety risks to residents, and increase program costs. Accordingly, we made a number of recommendations designed to improve the effectiveness of the program and decrease the risk of waste, fraud and abuse in Tennessee's Weatherization Program.

Team Leader: (b)(6)
AIC:
Staff:



DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on July 20, 2011 for the audit of the Federal Energy Regulatory Commission's (FERC's) Fiscal Year 2011 financial statements and the annual evaluation of the unclassified cyber security program of FERC. At the entrance conference were representatives from KPMG LLP, FERC, and the Office of Inspector General (OIG). In attendance from the OIG were (b)(6)

(b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On Monday, July 18, 2011, a message meeting was held with the DIGAI and AIGS on the inspection titled "*Follow-up Review of the Security at the Strategic Petroleum Reserve.*" Our review addressed implementation of the report's recommendations and an allegation received prior to our fieldwork. As a result of this meeting, it was agreed that a report would be drafted by the Lead Inspector to address the issues identified during our review. Lead Inspector: (b)(6) (S10IS012)

OTHER INSPECTION ACTIVITY:

On July 18th and 20th, 2011, (b)(6) Office of Audits and Inspections, provided hands-on TeamMate training for the Eastern Region Headquarters office. The comprehensive training will assist the inspectors in implementing TeamMate into our daily inspection activities.

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

■ 2011 Continuity of Operations (COOP) Awareness Training must be completed by July 29, 2011.

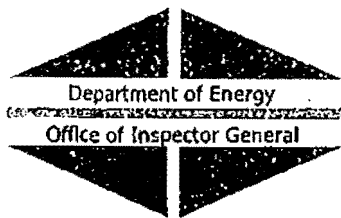
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending July 29, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on, *The Department of Energy's American Recovery and Reinvestment Act – California State Energy Program*, OAS-RA-11-10, July 28, 2011, (A10RA001)

- The California Energy Commission (Commission) received a SEP Recovery Act grant of \$226.1 million. The Commission planned to use \$193 million of these funds to provide energy efficiency retrofits for 29,000 residential and 5,500 commercial buildings and to create 2,100 jobs. Over \$80 million was to provide loan capital for business equipment and public building retrofits while \$113 million was allocated to incentive programs to encourage energy efficiency retrofits of existing residential and commercial buildings. The remaining \$32.4 million was provided for program management and green jobs training. Because of the states' role in the implementation of the Recovery Act, we initiated this review to determine whether the Commission was effectively administering its SEP Grant.
- We found that the Commission experienced delays in executing its plan to spend SEP Recovery Act funds. In fact, as of June 2, 2011, 2 years after SEP funds became available in June 2009, California had spent only \$68 million of its \$226.1 million award. Spending was primarily confined to direct loans for state and municipal building retrofits and green jobs training. Further, although the Commission had made progress in resolving weaknesses revealed by several SEP specific audits, it had not completed all necessary actions to monitor sub-recipients of SEP funds. Finally, we determined that EERE had not effectively monitored the Commission's actions to correct previously discovered program weaknesses identified by the California State Auditor.
 - Numerous factors contributed to delays the Commission experienced in its implementation of its energy efficiency building retrofit projects. Initially, the Commission planned to award building retrofit loans and contracts by February 1, 2010; however delays occurred as the Commission worked to comply with Recovery Act specific requirements. Regulator concerns and lawsuits also delayed the Commission's plans to offer incentives to retrofit residential and commercial buildings.
 - Although the Commission had made progress in correcting previously identified weaknesses, it had not completed all necessary actions to monitor SEP fund sub-recipients. Further, EERE had not effectively monitored the Commission's actions to correct SEP internal controls weaknesses.

- Spending delays and the control deficiencies may impact California's ability to meet SEP Recovery Act goals. Although California estimated that the \$193 million Recovery Act investment would result in estimated annual energy savings of 2.7 million British thermal units through energy efficiency retrofits for 29,000 residential and 5,500 commercial buildings and create 2,100 jobs, by April 30, 2012, the Commission had reported only 210 jobs created and only 85 commercial and residential retrofits had been completed as of December 31, 2010. In fact, only 30 retrofits were completed in the last quarter of 2010. With close to a year remaining in the grant, the Commission would have to increase its completion rate exponentially, to approximately 5,800 residential, and 1,083 commercial unit retrofits each quarter to reach its retrofit and annual energy savings goals.
- In a May 2011 update, the Commission indicated that the SEP program would achieve less than half of the energy efficiency retrofits presented in the state plan. The Commission reduced its estimate of the number of commercial and residential retrofits the SEP expects to complete from 34,500 to 16,629. The Commission also stated that the number of completed commercial and residential retrofits increased from 85 as of December 2010 to 1,276 as of May 20, 2011. SEP sub-recipients had 3,128 projects underway and expected to complete 16,629 retrofits during the SEP performance period.

■ We recommended that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy: (1) establish and implement clearly defined roles and responsibilities to ensure that the Commission's internal control weaknesses are resolved; (2) aggressively monitor the Commission's progress toward achieving its SEP Recovery Act goals and take appropriate action to maximize the achievement of those goals; and, (3) determine whether completion of the Commission's planned actions are possible, and, as appropriate, reallocate funds to other projects if necessary. EERE management concurred with the findings and recommendations.

Team Leader and AIC: (b)(6)

Staff: (b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- A Coordination Draft Report titled *Follow-Up Inspection on Security Clearance Terminations and Badge retrieval at the Lawrence Livermore National Laboratory* (S10IS008), was issued to management for comment on July 27, 2011. Our tentative findings and recommendations showed that improvements are needed to: (1) ensure that HSPD-12 security badges are retrieved before an employee's last day of employment, that Security Termination Briefings are conducted and that Security Termination Statements are executed as required; (2) ensure that security clearances are terminated in the Department's Central Personnel Clearance database in a timely manner; (3) include NNSA Personnel Security Division officials in the planning process for significant Federal or contractor restructuring; (4) incorporate current technologies, such as scanning or emailing of security termination documents to provide reasonable assurance that Security Termination Statements are received by Personnel Security in a more timely, verifiable manner; (5) address administrative and operational weaknesses identified in the report that affect the timely termination of clearances; and, (6) Department-wide policies that provide direction and authority on managing situations where individuals who have terminated employment fail to return security badges or comply with Security Termination Briefing requirements. We anticipate receiving management comments for this coordination draft no later than August 4, 2011.

The Lead Inspectors were (b)(6)

OTHER INSPECTION ACTIVITY:

During the week of July 25, 2011, (b)(6) Office of Audits and Inspections, provided hands-on TeamMate training for the Western Region offices of Livermore and Albuquerque. The comprehensive training will assist the inspectors in implementing TeamMate into their daily inspection activities.

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Continuity of Operations (COOP) Awareness Training must be completed by July 29, 2011.

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

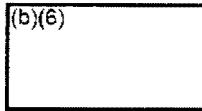
Inspector General
Counsel to the Inspector General
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Deputy Inspector General for Investigations
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Assistant Inspector General for Audits
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Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders

based on their preliminary analysis, recipients may not expend an estimated \$371 million of funds by the end of the grants' performance periods.

■ We also identified troubling anomalies with grant obligation information reported by the recipients to the Department. These included obvious and unexplained errors such as the total of obligations and expenditures exceeding the amount of the grant award. These anomalies, in our opinion, have the potential to undermine confidence in the Department's management of the EECBG Program on an on-going basis.

■ We recommended that the Acting Assistant Secretary, Energy Efficiency and Renewable Energy verify the reliability of the data reported by the recipients; identify those recipients who had not met the 18-month requirement and take appropriate action; and, complete the analysis on those recipients who may not meet the 36-month performance period and take appropriate action.

Team Leader: (b)(6)
AIC:
Staff:



DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on *"Management Controls over Non-Facility Contractor Prior Performance"*, August 16, 2011, (A11CP001)

■ The Department of Energy (Department) expended approximately \$89 billion during Fiscal Years 2009 and 2010, through various contracts and financial assistance awards. As emphasized by the Office of Management and Budget (OMB), holding contractors accountable for past performance is an important tool for making sure the Federal government receives good value from its contracts. Both the Government Accountability Office and OMB have stressed the importance of ensuring that prior contractor performance is adequately documented and considered prior to subsequent awards. Most recently, OMB indicated in a January 2011 memorandum that past performance assessments have been completed for only a small percentage of awards, especially in civilian agencies. We initiated this audit to determine whether the Department adequately considered contractor prior performance when making new non-facility contract and financial assistance awards.

■ The Department had not always considered prior contractor performance nor completed contractor performance assessments in a timely manner. In particular, our review of contractor performance assessment reports, and a random sample of contract and financial assistance awards at three sites found that the Department could not demonstrate that it had:

- Evaluated contractor prior performance before making 104 of the 519 (20 percent) contracts and financial assistance awards we reviewed;
- Reviewed the Government-wide Excluded Parties List System to ensure that offerors and applicants were not debarred from doing business with the Federal Government for 42 of 519 (8 percent) of our sample items. Even though the Department could not confirm that a review of the contractor's eligibility had been performed, we were able to

readily discern based on our own testing that none of the 42 contractors had been debarred; and,

- Completed post award contractor performance evaluations within the required 120 calendar days after the evaluation period for 323 of the 881 (37 percent) contracts requiring such an evaluation that we reviewed. In fact, 192 evaluations were overdue by 6 months or more.

■ Pre-award evaluations of a prospective contractor's prior performance and reviews of the Excluded Parties List System were not always conducted primarily because procurement officials and/or contracting personnel did not follow or apply Federal and Departmental requirements and procedures. Department officials also indicated that they did not believe that evaluations of prior performance for financial assistance awards were required. Finally, Department officials stated that post award evaluations of contractor performance were often not performed because contracting officers representatives did not place sufficient emphasis on completing this requirement.

■ Failure to conduct post contract award evaluations or to review contractor prior performance may result in the contracting officer lacking all of the necessary information to make informed contract award decisions. For example, the contracting officer may not have sufficient information to establish that the Federal government is likely to receive good value for its contract expenditures. Meaningful past performance assessments and a review of contractor prior performance are critical to ensuring that the Government does business with companies that deliver quality goods and services on time and within budget. We provided several recommendations involving the adoption of best practices that should help the Department improve its controls over the evaluation of contractor prior performance and help resolve the particular issues identified in this report.

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Oak Ridge Eastern Region Inspections Office and a Western Region Inspector attended Teammate training with (b)(6) on August 17-18, 2011.

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

On August 10, 2011, the Eastern Inspection Region initiated an allegation-based inspection concerning potential Health and Wellness Benefits irregularities by a National Energy Technology Laboratory (NETL) Security Contractor. The inspection will determine if the contractor adhered to contractual and regulatory requirements for Health and Wellness Benefits at three NETL sites located in, Albany, OR, Morgantown, WV, and Pittsburgh, PA. (b)(6)
S011IS011)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Annual Ethics Training must be complete by September 2, 2011.

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

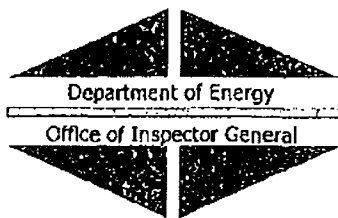
- CHRIS Training – Please update your CHRIS Employee Training Workflow Profile to reflect Michael Sinko as the Step 2 Approver for training requests.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General

Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending August 26, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on "*The Advanced Research Projects Agency – Energy*," OAS-RA-11-11, August 22, 2011, (A10RA002).

- The Advanced Research Projects Agency - Energy (ARPA-E), an agency within the Department of Energy, was authorized in 2007 as part of the America COMPETES Act (COMPETES Act). To accomplish these goals, ARPA-E focuses exclusively on high-risk, high-payoff concepts. The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided the majority of ARPA-E's funding to date. We initiated this audit to determine whether ARPA-E implemented safeguards necessary to achieve its goals and objectives and to effectively deploy associated Recovery Act resources.
- ARPA-E generally had systems in place to make research awards and to deploy Recovery Act resources. For example, ARPA-E established selection criteria to make awards that were consistent with its mission objectives and implemented the criteria in award selection. However, we found that ARPA-E:
 - Had not established a systematic approach to ensure that it was meeting the technology transfer and outreach requirement of the COMPETES Act. For example, ARPA-E had not required funding recipients to expend a percentage of their awards on technology transfer; and,
 - Had not drafted or, in some cases, approved draft policies and procedures in a number of key areas, including those in the areas of monitoring and oversight of awardees; termination of non-performing awards; technology transfer and outreach; and, invoice review.
- Additionally, through transaction testing we performed at three recipient sites, we identified and questioned approximately \$280,387 in unsupported, unreasonable, or unallocable costs, or costs considered to be specifically unallowable, that had been incurred by two recipients.
- According to an ARPA-E official, ARPA-E focused its attention on meeting the Recovery Act requirement of expeditiously awarding funds to projects by September 30, 2010 and, as a consequence did not have sufficient time and resources to devote to establishing all its operational controls in the area of policies and procedures. ARPA-E, for example, did not require recipients to spend a certain percentage of their awards on technology transfer and outreach nor to track and report these expenditures to ARPA-E. We also found that ARPA-E was unaware that recipients had incurred the types of costs we questioned

because they did not require submission of transaction details as part of their invoice review process.

- ARPA-E was working to improve its processes and, in doing so, addressed some of the concerns we raised during our audit. For example, ARPA-E finalized the policy governing an invoice review process in October 2010. More recently, in the five funding opportunity announcements it issued in April 2011, ARPA-E included a requirement for recipients to spend a minimum of 5 percent of their awards on technology transfer and outreach and to track and report to ARPA-E on such expenditures. ARPA-E also finalized a policy in February 2011 outlining what were considered to be allowable costs in the area of technology transfer and outreach. However, we are concerned that this policy allows recipients to incur several types of costs that are typically unallowable as direct costs under Federal Acquisition Regulations, such as the costs of procuring additional government funding and for meeting with investors, without providing a justification as to reasons for their allowability.

- We recommended that several management best practices be implemented, all of which are designed to help improve ARPA-E's administration and stewardship of taxpayer furnished resources.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

Report on "The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri" August 22, 2011, OAS-RA-11-12, (A10RA060)

- Missouri's Department of Natural Resources (Missouri) is responsible for administering the American recovery and Reinvestment Act of 2009 (Recovery Act) grant through 17 local agencies and a municipality (local agencies). Local agencies are responsible for determining applicant eligibility; performing initial home assessments to determine appropriate weatherization measures needed; assigning contractors to weatherize homes; and, conducting final inspections on completed homes. Weatherization services include installing insulation; sealing ducts; and tuning or replacing furnaces. Missouri planned to use its Recovery Act funding to weatherize approximately 20,150 homes.
- Given the significant increase in funding, we initiated this audit to determine if Missouri had adequate safeguards in place to ensure that the Weatherization Program was managed efficiently and effectively.
- Missouri made significant progress in implementing its Recovery Act Weatherization Program. As of March 31, 2011, the State reported weatherizing almost 9,900 homes, nearly one-half of its overall Recovery Act goal. Despite this accomplishment, our audit revealed that:
 - Missouri had experienced recurring problems in the quality of weatherization work. Between July 2009 and June 2010, for example, State monitors determined that approximately 30 percent (156 of 523) of the homes they re-inspected throughout Missouri required further action because the work was not acceptable. State

monitors found issues such as unacceptably high levels of carbon monoxide emitted by furnaces and hot water heaters that had been worked on by contractors; furnaces and hot water heaters that had not been vented properly; the lack of pressure release pipes on water heaters; and, failures to properly install insulation and to complete all work order requirements;

During our observation of local agency final inspections conducted by Kansas City, St. Louis, and Delta, we found that 11 of 20 homes (55 percent) failed local agency final inspections. Eight of the homes failed because a furnace or hot water heater was not working properly and/or was emitting carbon monoxide at higher than acceptable rates. The risks associated with these issues were mitigated by Missouri's requirement that carbon monoxide detectors be installed in homes with combustibles appliances. Subsequent to our review, the local agencies took appropriate action to resolve the issues we observed; and,

- In 3 of the 20 final inspections we attended, problems were identified with the initial assessments conducted on the homes. These problems included calling for insulation that could potentially create a fire hazard and failing to identify a hot water heater that was not properly vented. Fortunately, in these cases, the issues were appropriately resolved.

■ Weatherization work quality problems resulted from a combination of program weaknesses, including inadequate final inspections conducted by local agencies, ineffective follow-up on systemic issues identified in re-inspections, and incomplete training of local agency and contractor personnel. In particular:

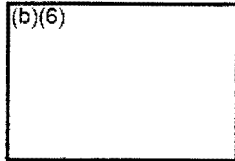
- Although they performed effective inspections of the homes we visited, local agency final inspectors often failed to identify problems, allowing workmanship issues to persist. During the re-inspections of homes weatherized by local agencies, State monitors found that in approximately one out of three cases, local agency final inspectors passed homes that actually required further action. In other words, homes deemed to be completed by local agency officials often had significant problems, such as furnace issues, that had not been resolved;
- Neither the State nor the three local agencies we visited resolved systemic issues that may cause recurring weatherization work quality problems noted during inspections and re-inspections. Although Missouri had repeatedly identified workmanship issues at local agencies throughout the State, and had taken some steps to address systemic or frequently recurring problems, it primarily relied on correcting problems on a home-by-home basis. While the current system appeared to successfully identify and correct issues at the 5 to 10 percent of homes selected for re-inspection, it did not necessarily improve local agency processes to prevent the same types of issues from occurring at those homes not specifically included in the State's re-inspections. Additionally, none of the three local agencies included in our audit had taken steps to identify contractors with recurring problems and require them to take corrective action to prevent the problems in the future; and,
- Although the State's 2009 Weatherization Annual Plan had identified the need for statewide training to ensure the performance of quality weatherization work,

Missouri had not fully implemented a training program for local agency and contractor personnel.

- We also found that one local agency, St. Louis, had used Recovery Act funds to acquire more vehicles than it needed to meet its weatherization goals. After we brought this matter to the attention of State officials, the local agency sold excess vehicles to other local agencies in the State, recouping over \$100,000 that will be available to weatherize additional homes.

As noted in the report, the State had taken steps to safeguard Recovery Act funds by improving its oversight of the local agencies. For example, the State implemented on-site monitoring at each local agency three times a year, exceeding the Department's requirement of annual monitoring. However, absent an increased focus on correcting systemic issues, quality issues are likely to continue. Weaknesses in Missouri's Weatherization Program can pose health and safety risks to residents, hinder production, and increase costs. Of particular concern is the high incidence of furnaces or hot water heaters that were not working properly and/or were emitting higher than acceptable levels of carbon monoxide. We made a number of recommendations designed to improve the Weatherization Program.

Team Leader: (b)(6)
AIC:
Staff:



Audit Report on *"The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Indiana"* OAS-RA-11-13, August 13, 2011, (A10RA062).

The Department of Energy's Weatherization Assistance Program received \$5 billion under the American Recovery and Reinvestment Act of 2009 to improve the energy efficiency of residences owned or occupied by low income persons. Subsequently, the Department awarded the State of Indiana a 3-year Weatherization Program grant of \$131.8 million, representing a ten-fold increase over the \$12.3 million in funds available to the State for weatherization in Fiscal Year 2009. Indiana planned to use its Recovery Act funding to weatherize almost 20,000 homes. Indiana officials reported that as of March 2011, the Program had weatherized about 15,000 homes.

The Indiana Housing and Community Development Authority (IHCDA) administers the Weatherization Program grant through 31 local entities, including local agencies, nonprofit organizations, and units of local government. The largest Weatherization grant, almost \$42 million or roughly a third of the State's Recovery Act funding, was provided to the Indiana Builders Association (IBA), a nonprofit organization. Local entities are responsible for documenting eligibility, performing home assessments, providing weatherization materials and services, and conducting final inspections on completed homes.

Given the significant increase in funding and demands associated with weatherizing thousands of homes, we initiated the audit to determine if Indiana and three of its local agencies – Hoosier Energy Rural Electric Cooperative, REAL Services, Inc., and Indiana Builders Association (IBA) had managed the Weatherization Program efficiently and effectively.

Our review did not reveal material problems with the State's management of the Weatherization Program and the three local agencies we visited. We did, however, identify opportunities for the State and IBA to improve the efficiency and effectiveness of their Weatherization Programs. Specifically, we found that IBA had not always:

- Maintained documentation to support weatherization material costs reimbursed by the IHCD, even though it was specifically required to do so. For 22 of the 23 homes we sampled, we found that contractors had requested reimbursement for "special circumstance charges." Such charges, totaling about \$8,000 for the homes we reviewed, included reimbursement requests for custom sized doors, window sealing, electrical fittings, and related labor that were not included in IBA's established price list. Payments were made without necessary supporting information because IHCD had not enforced policies and regulations that require adequate documentation to support contractor billings; and,
- Taken action to ensure that dwellings had been disqualified from receiving Recovery Act funded services because they had received weatherization services in the past. The Recovery Act stipulates that Department funds may not be used on units that had been weatherized anytime after September 30, 1994. The information needed to enforce this requirement was limited, since IHCD's database included only homes weatherized after 2000, and weatherization auditors employed by IBA did not take action to verify the source of any previous weatherization work performed on homes they assessed.

The weaknesses we identified, if uncorrected, could increase the risk of fraud, waste, and abuse. Payments to contractors for improperly supported or ineligible homes reduce the availability of funds and could deprive qualified homes of needed services.

The Department concurred with the findings and recommendations contained in our audit report. Management noted that although the State had made a number of improvements, including modifying their Policy Advisory Council composition, providing additional training, and increasing oversight, there is more work to be done. The Department plans to evaluate actions taken by the State in response to our report and will focus on providing oversight to ensure that the State is improving documentation for "special circumstance charges" and developing formal weatherization policies and procedures, particularly in regard to re-weatherization of eligible homes.

The State of Indiana and the IBA which provided consolidated comments, generally agreed with our observations and conclusions. In response to our audit, the State noted that IBA had procedures for reviewing "special circumstance charges," however, IBA had not always documented the review results. Accordingly, the State will update its Weatherization Policies and Procedures Manual regarding maintaining receipts and documentation for "special circumstance charges," including documentation showing whether a cost comparison had been conducted. Regarding the re-weatherization of homes, the State noted that it had verbally advised sub-grantees of the requirements for determining an eligible home, including discussing a standard process for verifying that no previous weatherization measures had been performed. In response to our audit, the State noted that it will provide sub-grantees with written guidance on the subject.

Management's actions are responsive to our recommendations.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

Audit Report on "The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia" OAS-RA-11-14, August 25, 2011, (A11RA032).

In 2009, the Commonwealth of Virginia's (Virginia) Department of Housing and Community Development's (DHCD) Weatherization Assistance Program (Weatherization Program) was awarded a 3-year grant of approximately \$94 million from the American Recovery and Reinvestment Act (Recovery Act) of 2009 to weatherize 9,193 homes. Virginia's DHCD administers its Weatherization Program through 22 local community action agencies (local agencies); organizations which are responsible for determining applicant and housing unit eligibility, weatherizing homes and conducting home assessments and inspections.

In May 2010, the Office of Inspector General (OIG) issued a Preliminary Audit Report on the effectiveness of Virginia's implementation of the Recovery Act funded Weatherization Program. The report, "Management Controls Over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program," (OAS-RA-10-11), identified several issues that contributed to a less than effective implementation of Virginia's Weatherization Program. Subsequent to issuing the interim report, we completed work at three of Virginia's local agencies to evaluate their success in carrying out the Recovery Act funded Weatherization Program. Specifically, we performed reviews at Crater District Area Agency on Aging (Crater), Community Housing Partners Corporation (CHPC), and Rappahannock Area Agency on Aging (Rappahannock).

Our May 2010 audit report identified a number of weaknesses in the Commonwealth of Virginia's Weatherization Program. In particular, our testing of local agencies' weatherization activities performed during the period from February 2009 to March 2010 revealed that:

- CHPC and Crater had not always developed and/or maintained support for costs billed to and reimbursed by the Virginia Weatherization Program. As such, we questioned about \$1.2 million in costs incurred by these agencies;
- Crater provided weatherization services to a number of ineligible applicants and/or dwellings;
- Neither CHPC nor Crater always performed required inspections of completed units; and,
- Crater had not always ensured workers were paid Recovery Act mandated Davis-Bacon Act wage rates.

These weaknesses were not initially detected or corrected because, as discussed in our Preliminary Report, the Commonwealth of Virginia's DHCD had not implemented the financial and reporting controls needed to ensure Weatherization Program funds were spent effectively and efficiently. In particular, we noted in our May 2010 Preliminary Report that DHCD had not performed on-site financial monitoring of any of its local agencies during the prior 18 months, including reviewing documentation supporting reimbursements. In our Preliminary Report, we made recommendations to improve Virginia's financial monitoring of its local agencies.

In response to the May 2010 preliminary report, both the Department and the Commonwealth of Virginia indicated that corrective actions were in process. During this review, we substantiated that the Department of Energy, DHCD, and the three community action agencies we evaluated had, in fact, either initiated or completed actions to address the issues identified by our Preliminary Report. To its credit, Virginia had conducted financial monitoring visits at all 22 of its local agencies.

We concluded that the Department and DHCD had made significant progress in improving management controls over the Commonwealth's Weatherization Program. DHCD made numerous changes that, if successfully implemented and executed, will increase the likelihood of successfully achieving the goals of the Program. Virginia had also resolved all but \$26,000 of the \$1.2 million in questioned costs that we identified during our audit work at the local agencies.

Both the Department and DHCD provided comments and agreed with the information in the report. The Department stated that it would closely monitor Virginia's Weatherization Program to ensure that the Program is operating effectively and efficiently. DHCD stated that the audit served as a catalyst for necessary improvements in the administration of the Program. The three Community Action Agencies reviewed declined to provide comments.

Team Leader: (b)(6)

AIC: (b)(6)

Staff

Audit Report on *"Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act,"* OAS-RA-11-15, August 25, 2011, (A10RA052)

■ In February 2009, the American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted. The Department of Energy's (Department) National Nuclear Security Administration (NNSA) received approximately \$212 million in Recovery Act funds from the Office of Environmental Management for legacy environmental remediation activities at Los Alamos National Laboratory (Los Alamos). NNSA's Los Alamos Site Office (Site Office) is responsible for oversight of the legacy cleanup projects funded by the Recovery Act at Los Alamos' Technical Area 21 (TA-21) site, including:

- The Delta Prime East and West project – a \$58 million project to demolish 18 radiological and industrial facilities and remove slabs and surface contamination;
- The Tritium Systems Test and Assembly project – a \$14.8 million project to demolish 5 radiological and industrial facilities and remove the slabs and surface contamination; and,
- The Material Disposal Area B (MDA-B) project – a \$93.5 million project to excavate low-level nuclear waste and to restore the site.

■ The Recovery Act funded work is part of an estimated \$2.2 billion effort to remediate Los Alamos by December 2015, as required by a Consent Order agreement with the New Mexico Environment Department (NMED). Due to the significant investment in these projects and the importance of these projects to remediating nuclear waste at Los Alamos, we initiated this audit to determine whether the Department had effectively managed the Los Alamos TA-21 projects and achieved the goals and objectives of the Recovery Act.

■ Our testing did not reveal any significant issues concerning Los Alamos' compliance with Recovery Act requirements for reporting, job creation, segregation of funds, and flow down of requirements to subcontracts. In addition, we determined that the Delta Prime East and West, and Tritium Systems Test and Assembly projects were completed ahead of schedule and under budget. MDA-B project costs had increased and the project schedule had slipped, however, due to reasons largely beyond Los Alamos' control, such as encountering greater than anticipated waste volumes and hazards.

■ Although MDA-B project cost increases and schedule slippages were driven by factors generally beyond its control, we noted that Los Alamos had not:

- Established a management reserve to fund cost increases and schedule slippages caused by MDA-B project risks that was commensurate with the level of uncertainty that existed about the type and amount of waste to be remediated;
- Fully implemented the established baseline change control process for the TA-21 Recovery Act projects to ensure that project scope, schedule, and cost changes were documented and formally resolved; and,
- Updated the Recovery Act Project Execution Plan as required.

Due to MDA-B project's cost and schedule increases, Los Alamos was unable to meet a Consent Order milestone to submit a remedy completion report to NMED on December 31, 2010. In November 2010, Los Alamos asked the NMED for an extension for completing the report and in December 2010, the NMED extended the milestone to August 31, 2011.

Although we did not find any significant issues with Los Alamos' compliance with Recovery Act reporting requirements, we did identify duplicate reporting of four subcontract awards for the MDA-B project to *Recovery.gov*, the U.S. Government's official website used to track Recovery Act funds. As a result of our review, Los Alamos corrected the discrepancies in its subsequent quarterly submission to *Recovery.gov*.

Team Leader:

AIC:

Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on August 25, 2011 for the audit of the Uranium Enrichment Decontamination and Decommissioning Fund's (D&D Fund's) Fiscal Year 2011 financial statements. At the entrance conference were representatives from KPMG LLP (KPMG), Office of Environmental Management (EM), Office of the Chief Financial Officer (OCFO), Office of Inspector General (OIG), and various field sites. In attendance from the OIG were (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Annual Ethics Training must be complete by September 2, 2011.

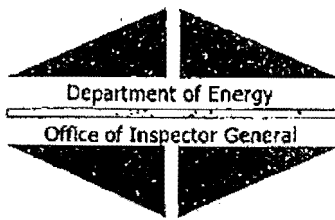
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
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Weekly Activity Report Office of Audits and Inspections

Ending September 2, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Management Alert Report on "*The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations*," September 1, 2011, OAS-RA-11-16, (A11RA044)

- Because of the unprecedented level of funding provided under the American Recovery and Reinvestment Act of 2009 (Recovery Act) and the risks associated with spending such sums in a compressed period of time, the Office of Inspector General initiated a series of audits of the activities of the recipients of Department of Energy Energy Efficiency and Conservation Block Grants (EECBG). These audits disclosed that significant amounts of grant funds remained unobligated by recipients even though the Department's 18-month obligation deadline had been exceeded. Consequently, we expanded our work to determine more broadly the extent to which EECBG formula grant funds had not been obligated by recipients.
- Confirming our initial concerns, the current examination disclosed that as much as \$879 million, or 33 percent of the \$2.7 billion allocated for formula-based EECBG grants, had not been obligated by the recipients. Our testing also revealed a number of apparent inaccuracies in data that Department officials used to monitor grantee obligations and spending. These issues undermine one of the basic premises of the Recovery Act, that is, to promptly stimulate the economy and create jobs. Further, given established deadlines to deploy these Recovery Act resources and the reality of the "ticking clock," pressure to expedite both obligations and expenditures significantly increases the risk that program safeguards, important to ensuring that taxpayer interests are protected, may be circumvented. Due to the urgency of addressing these matters, we issued this report as a Management Alert.
- Under the Recovery Act, the EECBG Program received \$3.2 billion to improve energy efficiency and reduce energy use and fossil fuel emissions. The Department's Office of Energy Efficiency and Renewable Energy allocated about \$2.7 billion of the funds using a population-driven formula to over 2,000 entities including: states and territories; cities and counties; and, Indian tribes. The remainder, nearly \$500 million, was directed to competitive grants and technical assistance activities. EECBG agreements have a maximum performance period of 36 months and, in support of the Recovery Act's goal of immediate investment in the economy, the Department required grant recipients to obligate all funds within 18 months of the grant award date. In our report "*The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the Recovery and Reinvestment Act: A Status Report*" (OAS-RA-10-16, August 2010), we pointed out that 1 year after passage of the Recovery Act, recipients had spent only 8.4 percent of the \$3.2 billion authorized for the EECBG Program. In response to our

report, Department officials indicated that the amount of funds obligated by recipients was a leading indicator for measuring the Program's success in meeting Recovery Act goals. Officials noted that a recipient's obligation of funds was a key step in starting projects and putting the money to work for the economy.

- We found as much as \$879 million of the \$2.7 billion allocated for direct EECBG grants had not been obligated by the recipients. Of greatest concern, recipients had not met the Department's 18-month deadline to obligate \$511 million of this amount. Since our prior report, recipients had made significant progress in expending their EECBG grant funds, having spent \$1.3 billion, or nearly one-half of the \$2.7 billion in formula grants by July 18, 2011. Despite this progress, the fact that nearly a third of the grant funds remain unobligated called into question the ability of recipients to effectively use all of the grant funds within the 36-month performance period. Further, Department officials stated that, based on their preliminary analysis, recipients may not expend an estimated \$371 million of funds by the end of the grants' performance periods.
- We also identified troubling anomalies with grant obligation information reported by the recipients to the Department. These included obvious and unexplained errors such as the total of obligations and expenditures exceeding the amount of the grant award. These anomalies, in our opinion, have the potential to undermine confidence in the Department's management of the EECBG Program on an on-going basis.
- We recommended the Acting Assistant Secretary, Energy Efficiency and Renewable Energy verify the reliability of the data reported by the recipients; identify those recipients who had not met the 18-month requirement and take appropriate action; and complete the analysis on those recipients who may not meet the 36-month performance period and take appropriate action.
- Department officials concurred with our three recommendations and indicated in their response that they were executing plans to address each of the issues identified.

Team Leader: (b)(6)
AIC:
Staff:

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DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on September 1, 2011, for the audit of the Southwestern Federal Power System's Fiscal Year 2011 combined financial statements. At the entrance conference were representatives from KPMG, LLP, the Southwestern Power Administration, the U.S. Army Corps of Engineers, and the Office of Inspector General (OIG). In attendance from the OIG was (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

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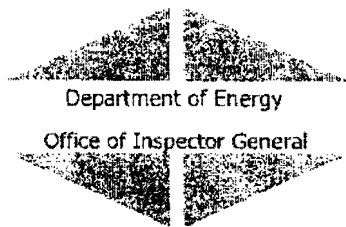
- CHRIS Training – Please update your CHRIS Employee Training Workflow Profile to reflect Michael Sinko as the Step 2 Approver for training requests.
- All vouchers, including local vouchers, for completed trips must be stamped approved in GovTrip no later than COB Eastern Time on September 22, 2011.

- All HQ-funded authorizations charged against FY2011 funds must be stamped approved in GovTrip no later than COB Eastern Time on September 29, 2011.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
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- Confirming our initial concerns, the current examination disclosed that as much as \$879 million, or 33 percent of the \$2.7 billion allocated for formula-based EECBG grants, had not been obligated by the recipients. Our testing also revealed a number of apparent inaccuracies in data that Department officials used to monitor grantee obligations and spending. These issues undermine one of the basic premises of the Recovery Act, that is, to promptly stimulate the economy and create jobs. Further, given established deadlines to deploy these Recovery Act resources and the reality of the "ticking clock," pressure to expedite both obligations and expenditures significantly increases the risk that program safeguards, important to ensuring that taxpayer interests are protected, may be circumvented. Due to the urgency of addressing these matters, we issued this report as a Management Alert.
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report, Department officials indicated that the amount of funds obligated by recipients was a leading indicator for measuring the Program's success in meeting Recovery Act goals. Officials noted that a recipient's obligation of funds was a key step in starting projects and putting the money to work for the economy.

- We found as much as \$879 million of the \$2.7 billion allocated for direct EECBG grants had not been obligated by the recipients. Of greatest concern, recipients had not met the Department's 18-month deadline to obligate \$511 million of this amount. Since our prior report, recipients had made significant progress in expending their EECBG grant funds, having spent \$1.3 billion, or nearly one-half of the \$2.7 billion in formula grants by July 18, 2011. Despite this progress, the fact that nearly a third of the grant funds remain unobligated called into question the ability of recipients to effectively use all of the grant funds within the 36-month performance period. Further, Department officials stated that, based on their preliminary analysis, recipients may not expend an estimated \$371 million of funds by the end of the grants' performance periods.
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- We recommended the Acting Assistant Secretary, Energy Efficiency and Renewable Energy verify the reliability of the data reported by the recipients; identify those recipients who had not met the 18-month requirement and take appropriate action; and complete the analysis on those recipients who may not meet the 36-month performance period and take appropriate action.
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FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on September 1, 2011, for the audit of the Southwestern Federal Power System's Fiscal Year 2011 combined financial statements. At the entrance conference were representatives from KPMG, LLP, the Southwestern Power Administration, the U.S. Army Corps of Engineers, and the Office of Inspector General (OIG). In attendance from the OIG was (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Annual Ethics Training must be complete by September 2, 2011.

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

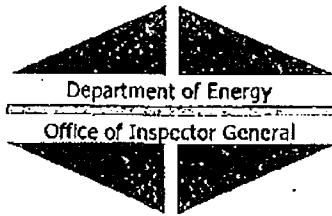
- CHRIS Training – Please update your CHRIS Employee Training Workflow Profile to reflect Michael Sinko as the Step 2 Approver for training requests.
- All vouchers, including local vouchers, for completed trips must be stamped approved in GovTrip no later than COB Eastern Time on September 22, 2011.

- All HQ-funded authorizations charged against FY2011 funds must be stamped approved in GovTrip no later than COB Eastern Time on September 29, 2011.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending September 9, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Inspections Report on "*Follow-up on Property Control at Idaho National Laboratory*",
September 7, 2011, INS-L-11-03

■ On September 7, 2011, a letter report was issued final for our Inspection on "Follow-up on Property Control at Idaho National Laboratory." Our inspection revealed that Idaho officials have generally taken corrective action in response to our 2005 report to improve Idaho's processes for maintaining custody and accountability for excess property and for reporting and investigating missing or stolen property. Specifically, Idaho officials:

- Developed procedures to improve its processes for tracking excess property;
- Took several steps to inform employees of their responsibility to adhere to procedures and maintain accountability and control of government property;
- Strengthened the missing or stolen property procedures to improve the reporting process; and,
- Modified procedures designed to strengthen accountability of government property assigned to terminating employees.

Additionally, as a part of our inspection, we evaluated practices as they related to a complaint which alleged that Idaho may not be exerting due diligence to locate missing property prior to excessing it from the inventory as "retired" property. Despite specific testing, we could not substantiate the allegation.

Given that Department and Idaho officials have generally addressed the prior inspection report findings, and that steps and procedures have been instituted to continually improve current operations, we are making no recommendations and a response is not required.

Management did not provide comments after their review of the draft report and waived an exit conference. (S11IS001; (b)(6))

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On August 31, 2011, a close-out meeting was conducted on our Inspection of "Protection of Sensitive Unclassified Information and Property Accountability under the Cooperative Agreement with the Incorporated County of Los Alamos." The meeting was held at the Los Alamos Site Office and was attended by the Site Office Manager and members of his staff. The Site Office indicated agreement with the tentative findings and recommendations and is pursuing solutions to the issues discussed. The next step in our process is to issue the Coordination Draft. (S11IS004; (b)(6))

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

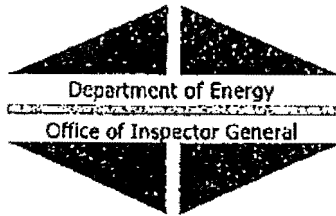
OTHER MATTERS:

- All vouchers, including local vouchers, for completed trips must be stamped approved in GovTrip no later than COB Eastern Time on September 22, 2011.
 - All HQ-funded authorizations charged against FY2011 funds must be stamped approved in GovTrip no later than COB Eastern Time on September 29, 2011.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
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Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending September 23, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on "*Allegations of Suspect Parts in Sun Microsystems Processors at Sandia National Laboratories - New Mexico*" (S10ISO15), INS-L-11-04, September 16, 2011

- Sandia National Laboratories-New Mexico (Sandia) is a science-based technology organization that purchases world class technologies and specialized services to support Sandia's national security mission. Sandia is managed and operated under contract by Sandia Corporation, a subsidiary of Lockheed Martin Corporation. Oversight of Sandia Corporation's contract is performed by the National Nuclear Security Administration's (NNSA's) Sandia Site Office (Site Office). In support of its mission, Sandia has maintained a Just-In-Time (JIT) contract with Commercial Data Systems (CDS), an authorized reseller of computer hardware components since 2001, to provide commercial-off-the-shelf Sun Microsystems products to Sandia. The JIT contract was executed as a three-year contract with multiple one-year options, beginning May 7, 2001, with an overall contract value of about \$58 million. A new JIT contract for Sun Microsystems products was advertised and awarded to CDS in July 2011.
- The Office of Inspector General received a complaint which alleged, in part, that from 2004 to 2009, CDS provided Sun products to Sandia that were purchased from unauthorized distributors. It was specifically alleged that there was a very high probability that the products in question were purchased on the "Grey Market," and were therefore suspect. We initiated this inspection to determine the facts and circumstances relating to the allegation.
- We were unable to substantiate the allegation that Sandia purchased suspect computer parts that were installed in Sun Microsystems processors. However, we did find that, for a period of more than six years, CDS provided commercial-off-the-shelf Sun Microsystems products to Sandia under the JIT contract without specific quality clauses prohibiting delivery of suspect or counterfeit items.
- Considering the fact that suspect and counterfeit items are a serious concern, we suggested that the Manager, Sandia Site Office, review the use of the standard clause for suspect and counterfeit items at Sandia and ensure that Sandia continues to incorporate the clause when appropriate into new and existing contracts.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Final Report on "*The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the State of Pennsylvania*" OAS-RA-L-11-11, September 22, 2011

- The Department of Energy's (Department) Energy Efficiency and Conservation Block Grant Program (Program), funded for the first time by the American Recovery and Reinvestment Act of 2009 (Recovery Act), was intended to help U.S. cities, counties and states develop, promote, implement and manage energy efficiency and conservation projects. The program received \$3.2 billion in funding under the Recovery Act for competitive and formula grants. Subsequently, the Department awarded a \$23.6 million formula grant to the State of Pennsylvania's (State) Department of Environmental Protection. Of the \$23.6 million awarded, the State retained about \$1.2 million in funding for administrative costs and awarded \$22.4 million to 69 local governments and 33 non-profit entities selected through a merit review process.
- The Office of Energy Technology Deployment, a division of the State's Department of Environmental Protection, administers the grant through its Central Office and provides Program oversight to six Regional Offices around the State. A supervisor in each Regional Office oversees multiple project advisors – individuals assigned to provide day-to-day management of local projects. As of July 2011, officials reported that 85 of the 102 projects had been completed.
- Because of the risks inherent in establishing a large, new program of national significance, we initiated this audit to determine whether the State of Pennsylvania had managed its Block Grant award efficiently and effectively, and the goals of the Recovery Act will be achieved.
- Our review found that Pennsylvania had developed and implemented a monitoring system designed to provide reasonable assurance that Block Grant projects would improve energy efficiency and be completed timely and funding would be accounted for and spent properly. For specific project we tested, the controls appeared to be generally effective and we did not identify any material issues with project monitoring and execution.
- Specifically, the State had required its sub-recipients to complete projects within 18 months, allowing time for reallocation and project revision; developed a management strategy that included use of a specialized project tracking database, weekly status meetings and periodic project inspections; and, implemented a staged disbursements system to facilitate project progress and ensure Recovery Act funds were used only for approved expenditures. Additionally, we found the State had awarded grants for projects consistent with Program objectives in improving energy efficiency and reducing energy use. Further, our review showed that projects periodically reported energy consumption data, as required, which was reviewed by management.
- Given the importance of the Recovery Act, we suggested that the State continue to closely monitor project performance and funds expended in order to meet Program goals and Recovery Act requirements. In addition we suggested that Pennsylvania ensure contract workers are paid no less than minimum wage rates required.
- No formal recommendations were made in this report.

Team Leader:
AIC:
Staff:

(b)(6)

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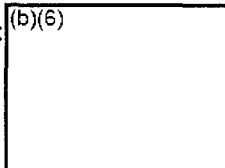
DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Report on *"The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program"* September 19, 2011 (A11RA021)

- Under the Recovery Act, the Department of Energy received \$3.2 billion to fund, for the first time, the Energy Efficiency and Conservation Block Grant Program (EECBG Program). The EECBG Program provides grants to U.S. local governments, states, territories and Indian tribes to fund projects that reduce energy use and fossil fuel emissions and improve energy efficiency. The Department awarded the Nevada State Office of Energy about \$9.6 million to develop and implement the EECBG Program, of which about \$8.8 million was awarded to 23 state and local government entities. The State retained approximately \$800,000 for administrative and monitoring costs.
- Because of the risks inherent in quickly establishing a large, new program of national significance, we initiated this audit to determine whether Nevada had managed its EECBG Program award efficiently and effectively and was on track to meet Recovery Act goals.
- Our review found that Nevada had taken a number of positive steps to implement its EECBG Program, including developing administrative systems and monitoring tools designed to ensure proper accounting for Recovery Act funding and compliance with laws and regulations. However, we identified monitoring and oversight issues that increase the risk that Recovery Act goals may not be met. Specifically, we found that the State had not ensured that sub-recipient projects were on track to meet their January 2012 completion date. In fact, as of July 2011, almost 16 months into their 22 month award term, local government sub-recipients had not obligated about 24 percent of their funding (or \$2 million). In addition, we found that the State had not ensured its sub-recipients were in compliance with the Davis-Bacon and Buy American Acts, as well as terms and conditions of grant awards. We found, for example, that one recipient had not solicited bids, as required, for a \$400,000 contract.
- The conditions we identified occurred because Nevada had not taken a comprehensive approach to grants management. Specifically, we noted that Nevada did not have the tools necessary to manage sub-recipient progress. Despite providing upfront funding to sub-recipients, Nevada had not incorporated performance metrics into sub-grant agreements to improve oversight and if necessary recoup funds. In addition, under the terms and conditions of the award, Nevada was responsible for ensuring its sub-recipients complied with EECBG Program and Recovery Act requirements. However, based on our test work, we concluded that the State had not fulfilled this responsibility. Further, the level of Nevada's sub-recipient monitoring had not been consistent with that initially budgeted by the State. In fact, we estimated that at the current rate of spending, the State will only spend about \$500,000 of the \$800,000 budgeted for administration and monitoring.
- Without a more robust approach to grants management, the State is at risk of not achieving the goals of the Recovery Act and of increasing the risks of fraud, waste and abuse. Therefore, we made several recommendations aimed at improving the State's monitoring of sub-recipient performance and Recovery Act funding.

Team Leader:
AIC:
Staff:

(b)(6)



DRAFT REPORTS ISSUED THIS WEEK:

Report on *"Follow-up Review of Security at the Strategic Petroleum Reserve"*(S10IS014),
INS-L-11-04, September 22, 2011

- A Coordination Draft Report titled Follow-up Review of Security at the Strategic Petroleum Reserve (S10IS014), was issued to management for comment on September 22, 2011. Our Inspection revealed that Strategic Petroleum Reserve (SPR) officials have generally implemented corrective actions in response to our earlier report; however, we identified a concern regarding security officers' understanding of situations in which the use of deadly force was permitted at three of the four SPR sites we visited. Specifically, we determined that contrary to the Federal regulation which limits the use of deadly force to the protection of personnel from imminent death and bodily harm, 9 of 36 Security Police Officers (SPO) we interviewed mistakenly believed that they should use deadly force to protect SPR infrastructure. Further, we reviewed issues related to an August 2010,

(b)(5)

(b)(5) Our review determined that SPR made improvements in the realism of the SPO performance test and that SPR training program provided a clear understanding that a SPO should shoot to kill to protect personnel and not property.

Lead Inspector: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

Report on *"Fixed Monthly Living Expenses at the Lawrence Livermore National Laboratory"*
(S11IS008), INS-L-11-05, September 21, 2011

- On September 21, 2011, The Office of Inspections issued the final letter report on Fixed Monthly Living Expenses at the Lawrence Livermore National Laboratory. We initiated this inspection as a follow-up to an allegation referred to the Office of Investigations, who received a complaint which alleged that improper payment of Fixed Monthly Living Expenses (FMLE), had been made to certain Lawrence Livermore National Laboratory (Livermore) subcontractor employees. The investigation determined that a Livermore subcontractor paid \$181,666 to subcontract employees who claimed and received payments to which they were not entitled. The objective of the inspection was to determine if Livermore had taken action to address FMLE issues identified during the previous investigation and had addressed similar issues that may have existed with other subcontracts.

- We found that Livermore had taken actions to address FMLE issues as a result of the investigation. Specifically, Livermore established policies and procedures for the management and administration of the FMLE process. In addition, Livermore reviewed all subcontracts with FMLE provisions but did not identify any other subcontract employees who claimed and received payments to which they were not entitled.

- Considering the previous problems with FMLE at Livermore, we suggest that the Manager, Livermore Site Office, closely monitor and periodically review the FMLE program to

ensure that current Livermore policies and procedures are effective in precluding inappropriate FMLE payments and that internal controls have been established to prevent future problems.

Lead Inspector: (b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On September 8, 2011, the Western Region Inspections Office – Albuquerque began a preliminary review to determine if a complaint received by the OIG Hotline - "Questionable Job Estimating and Time Charging by a Los Alamos National Laboratory Contractor" – contained sufficient basis for initiating an inspection at Los Alamos National Laboratory. The focus of this review, at this point, is to determine to what extent the allegations contained in the complaint can be initially validated and/or corroborated. To accomplish this preliminary step, we interviewed the Complainant and conducted a tour of the facility identified in the complaint. Additional interviews and document reviews will be planned to completely define the work steps necessary to determine if an inspection will be initiated.

Lead Inspector: (b)(6) Case File P11HL517.

Entrance Briefing on "Radiological Waste Operations in Area G at Los Alamos National Laboratory"

- On September 14, 2011, an Entrance Briefing was conducted on the inspection of "Radiological Waste Operations in Area G at Los Alamos National Laboratory." The objective of the inspection is to determine if radiological waste operations at Area G are being conducted in a safe manner. A video teleconference (VTC) took place at four locations: Albuquerque Complex, National Nuclear Security Administration (NNSA) Headquarters, Los Alamos National Laboratory (Los Alamos), and Germantown. Germantown Office of Environmental Management (EM) communicated by telephone. Representatives from NNSA Headquarters, Defense Programs and Financial Management, EM, Office of Health, Safety and Security, the Los Alamos Site Office, Los Alamos, and the Albuquerque Complex were in attendance. EM requested another VTC to present a programmatic overview of operations at Area G on September 27, 2011. The Los Alamos Site Office requested that their portion and the Los Alamos's portion of the inspection begin October 12, 2011. (S11IS010)

Team Leader: (b)(6)
Lead Inspector: (b)(6)
Team Member:
Team Member:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

- On September 21, 2011, the Office of Inspections initiated the inspection of Tactical Response Force Planning at the Idaho National Laboratory. The objective of this inspection is to determine whether the tactical response force at Idaho is appropriately executing its mission.

Lead Inspector: (b)(6) (S11IS013).

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

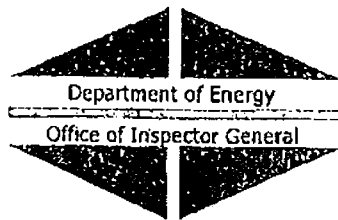
- All HQ-funded authorizations charged against FY2011 funds must be stamped approved in GovTrip no later than COB Eastern Time on September 29, 2011.
-

JOYS, CARES, CONCERNS:

- Please welcome Georgia Matsui to the Office of Inspector General. Georgia joined the National Nuclear Security Administration and Science Audit Division last week as the Administrative Assistant. Georgia previously worked for the U.S. Marshal Service and Department of Interior. She enjoys gardening and dancing.
-

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
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Assistant Inspector General for Audits
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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending September 30, 2011

FINAL REPORTS ISSUED THIS WEEK:

Management Alert on "Protective Force Training Facility Utilization at the Pantex Plant"
September 27, 2011, DOE/IG – 0855, (A11LL008)

- As part of an ongoing audit to determine whether the Department of Energy (Department) is effectively utilizing its protective force training facilities, we found that the National Nuclear Security Administration's (NNSA) Office of Secure Transportation (OST) authorized approximately \$2 million in March 2011 to construct a Physical Training/Intermediate Use of Force (PT/IUF) facility at the Pantex Plant (Pantex), near Amarillo, Texas. The planned facility will allow OST to train and certify its Federal agents in physical fitness activities including running, cycling, and weightlifting; and intermediate use of force activities such as gaining and maintaining control in passive and assault situations. OST's Facility Board, which is comprised of senior OST leaders, authorized construction of the Pantex facility. Construction costs are to be provided through OST's General Plant Project budget.
- Our preliminary analysis suggests that the new facility may not be needed, making the \$2 million expenditure unwarranted. Specifically, we noted that OST plans to construct the PT/IUF facility although Pantex has existing facilities that have the capability and capacity to fulfill OST's training needs. Our review of the analysis supporting construction of the PT/IUF facility revealed that officials did not fully consider Pantex's existing training facilities' capabilities and capacities before deciding that they did not meet OST's needs.
- OST's analysis to justify the construction of a new PT/IUF facility at Pantex did not fully consider the capability and capacity of Pantex's existing facilities. In particular, we found that OST had not considered the availability of Pantex's existing PT/IUF facilities as measured by their utilization rates. The justification document for the new facility stated that OST personnel could use Pantex's existing facilities; however, the existing facilities were not sufficient to meet training needs and there was no formal mechanism to control scheduling to allow for flexible accommodations for the OST agents. According to Facility Management officials, OST chose not to fully consider the utilization schedules or availability of Pantex's facilities because its agents informed management that the existing facilities were not suitable for PT training since it would mix Federal and contractor personnel. An OST Facility Management official stated that the facilities were also not suitable for IUF training since they lacked key features such as mats and reinforced walls. Our analysis of existing facilities showed, however, that Pantex's PT and IUF facilities have the capability and capacity to meet OST training needs.
- Based on our review, we believe that the need for an additional training facility at Pantex is questionable. We recognize that decisions, such as the one regarding the planned PT/IUF facility, are often more complex than they might appear. However, we wanted to ensure that NNSA decision makers were aware of our concerns before resource commitments were made regarding the path forward for this facility.

- Management reviewed a draft of this report and stated that in response to the recommendation, OST, in conjunction with the Pantex Site Office, will re-evaluate its training facility requirements to determine whether a separate OST PT/IUF facility is in NNSA's best interest.

Team Leader: (b)(6)

AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *"Implementation of the Recovery Act at the Savannah River Site"*, September 29, 2011; OAS-RA-L-11-12 (A10RA045).

- Overall, our review of American Recovery and Reinvestment Act of 2009 (Recovery Act) activities at the Savannah River Site (SRS) found that the site generally complied with Recovery Act requirements we tested, such as reporting, ensuring the flow down of requirements to subcontracts, and segregation of funds. Based on our observations and discussions with SRS officials, Recovery Act projects are on schedule, are within estimated costs, and goals and objectives are being met. We did, however, identify a concern regarding the accurate distribution of costs associated with staff augmentation contractors working on Recovery Act Projects.
- We found that the five Recovery Act Projects funded at SRS supported the Department of Energy's overall goals to reduce EM's operational footprint and accelerate the disposal of radioactive waste. EM utilized two existing SRS contractors to execute the projects: Savannah River Nuclear Solutions, LLC, (SRNS) and Savannah River Remediation, LLC. Our review disclosed that approximately \$1.2 billion of the \$1.6 billion in Recovery Act funds had been expended and Federal officials reported that the five projects were expected to be completed on time and within budget.
- However, analysis of a judgmental sample of cost transactions disclosed that SRNS did not always properly distribute costs invoiced under staff augmentation contracts. Specifically, we identified \$17,236 of invoiced costs that were not charged to the appropriate project activity codes. The system used to track staff augmentation invoices allowed did not have controls in place to ensure that all invoiced costs were accurately distributed to correct project activity codes. When we brought this matter to SRNS's attention, we were informed that steps had been taken to correct errors and a new Account Payable system was planned to be implemented by October 1, 2011. We believe that management's planned actions appear reasonable. However, until the new system is in place, we suggest that SRNS and Departmental management review manual adjustments to the current system, as necessary, to ensure the accuracy of staff augmentation cost distributions.
- No formal recommendations were made in this report; therefore, a response was not required.

Team Leader: (b)(6)

AIC:

Examination Report on "Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funded by the American Recovery and Reinvestment Act of 2009" (A11RA007), OAS-RA-11-18, September 29, 2011

- The Department of Energy's (Department) Office of Inspector General contracted with Lopez and Company, LLP, an independent public accounting firm, to conduct an examination of the weatherization activities of the Community Action Partnership of the Greater Dayton Area (Dayton). The examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office.
- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the State of Ohio received an allocation of approximately \$267 million from the U.S. Department of Energy Office of Energy Efficiency and Renewable Energy for the Weatherization Assistance Program (Weatherization Program). The State of Ohio allocated about \$18 million of its grant to Dayton to weatherize 2,144 homes over a 3-year period from April 1, 2009 through March 31, 2012.
- Through the Weatherization Program, homeowners and renters received assistance for replacement of existing building components and improvements to reduce energy consumption and lower heat gain by sealing duct systems and installing insulation, cooling and heating systems, and energy efficient windows and doors. Eligible households must have income of less than 200 percent of the poverty level as defined by the U.S. Department of Health and Human Services. The examination identified weaknesses in four areas of Dayton's program, including procurement; quality of weatherization work; reporting of administrative labor hours; and, compliance with follow-up communications.
- Weatherization materials, equipment, and services were procured without evidence of a cost or price analysis or competitive bidding. Lopez and Company, LLP found that Dayton failed to comply with Federal and State procurement regulations as required by the grant agreement between the State of Ohio and Dayton. There was no evidence of competition bidding, or a cost or price analysis conducted for 74 of 119 material and equipment purchases. Additionally, Dayton did not have support for its sole source selection of six contractors or procurement of services from those contractors. The lack of competitive bidding or a cost or price analysis to support the above procurements may not ensure Dayton acquires the most cost effective weatherization materials, equipment and services. Therefore, Lopez and Company, LLP questioned costs of \$70,800.
- Lopez and Company, LLP found a significant proportion of homes required additional work prior to completion. Of 34 homes reviewed for quality of work, 19 had final inspections that identified follow-up work needed. As part of its testing, Lopez and Company, LLP reviewed 30 weatherization client files, which included 5 actual home re-inspections accompanied by a State inspector. Additionally, they accompanied the State inspector on four final inspections. Lopez and Company, LLP noted that the lack of periodic (monthly or quarterly) project status reports did not allow for timely tracking and monitoring of projects and assessing work crew performance for weatherization work.
- Dayton did not ensure that administrative personnel labor costs were supportable by complying with Federal regulations requiring that all timecards have employee signatures or approvals by appropriate supervisory personnel. Based on a review of 5 administrative employees' labor hours, Lopez and Company, LLP selected 19 timecards covering multiple time periods and found that 3 employees' timecards did not appear to reflect actual work activity and 14 timecards lacked employee signatures or supervisory approval. Due to the

lack of an appropriate and reasonable methodology to allocate administrative costs to projects and lack of signatures on timecards, Lopez and Company, LLP, questioned \$23,400 charged to the Weatherization Program.

- Dayton did not track and document the number of follow-up contacts with households for which weatherization work had been completed. The State's Weatherization Manual required Dayton to follow-up with 25 percent of all homeowners receiving weatherization work and document its compliance with this requirement. Based on a review of 30 completed homes/units, Lopez and Company, LLP noted only one home of the 30 had a documented follow-up. Dayton did not have a procedure to ensure the number of follow-up contacts with households for completed work was documented and results summarized.
- Lopez and Company, LLP, provided recommendations to Dayton to remedy the issues identified. Dayton and the State of Ohio concurred with the findings and recommendations.

Team Leader: (b)(6)
Staff:

Examination Report on "Cuyahoga County of Ohio Department of Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009" (A11RA007), OAS-RA-11-19, September 29, 2011

- The Department of Energy's (Department) Office of Inspector General contracted with Lopez and Company, LLP, an independent public accounting firm, to conduct an examination of the weatherization activities of Cuyahoga County of Ohio Department of Development (County). The examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office.
- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the State of Ohio Department of Development (State) received an allocation of approximately \$267 million from the U.S. Department of Energy Office of Energy Efficiency and Renewable Energy for the Weatherization Assistance Program (Weatherization Program). The State allocated about \$9.4 million of its grant to the County to weatherize 1,121 homes over a 3-year period from April 1, 2009 through March 31, 2012.
- Through the Weatherization Program, homeowners and renters received assistance for replacement of existing building components and improvements to reduce energy consumption by sealing duct systems and installing insulation, cooling and heating systems, and energy efficient windows and doors. Eligible households must have income of less than 200 percent of the poverty level as defined by the U.S. Department of Health and Human Services. The examination identified significant deficiencies in four areas of the program, including applicant eligibility; remittance of interest earned on Federal advances of funds; quality of weatherization work; and, the accuracy of job reporting and Davis-Bacon Act verification.
- Lopez and Company, LLP found that the County may have approved applicants for weatherization services based on outdated income information. In determining eligibility, the County did not maintain or review applicants' income documentation prior to approval, but instead relied upon applicants' income verification obtained from the State of Ohio. As a result, Lopez and Company, LLP noted timing differences between the date the State

approved applicants for non-weatherization services and the date the same applicants were later approved for weatherization by the County. For example, 9 of the 12 applicants reviewed were approved for weatherization services more than 6 months after the State's initial eligibility approval. Because the Weatherization Program requires applicant income eligibility to be determined for the 12 months immediately prior to weatherization application, Lopez and Company, LLP noted a risk that some State-approved applicants may not automatically qualify under the income eligibility requirements of the Weatherization Program.

- The County failed to remit the interest accrued on cash advances on a quarterly basis. In June 2009, the County had received a one-time advance of \$941,000 for Recovery Act ramp-up activities such as hiring, and equipment and vehicle purchases. While the County had deposited its advanced funds into an interest bearing account, it had not remitted the interest to the State for transmission to the U.S. Department of the Treasury as required. As a result of examination, on July 7, 2011, the County reported it had returned more than \$76,000 in interest accrued from July 2009 through December 2010.
- A significant proportion of weatherized homes required additional work (re-work) prior to completion. In particular, of the 35 homes/client files reviewed for quality of work, 13 had final inspections that identified re-work needed. Additionally, many of the weatherization files reviewed lacked documentation required by the County, which raised the risk that re-work may not have been performed and properly inspected as required.
- Last, the number of contractor work hours with funding from the Recovery Act was underreported to the State and not verified for Davis-Bacon Act compliance. In particular, Lopez and Company, LLP found certified payroll records that were sent directly to the State instead of to the Certified Public Accounting (CPA) firm hired by the County to perform Davis-Bacon Act monitoring. As a result, the CPA firm did not verify the contractor's compliance with the Davis-Bacon Act for that period. In addition, the associated labor hours were not included in the County's Jobs Created and Retained Reports. Further, Lopez and Company, LLP found that the County failed to include the hours associated with the CPA firm's work in the job reports as well.
- Lopez and Company, LLP provided recommendations to the Agency to remedy the issues identified. The Agency and the State of Ohio concurred with the findings and recommendations.

Team Leader:
Staff:

(b)(6)

Examination Report on "*People's Equal Action and Community Effort, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009*" (A11RA009), OAS-RA-11-20, September 30, 2011

- The Department of Energy's (Department) Weatherization Assistance Program (Weatherization Program) received \$5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to improve the energy efficiency of residences owned or occupied by low-income persons. The Department subsequently awarded the largest Recovery Act Weatherization Program grant of \$394.6 million to the State of New York.

■ The Department's Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Otis and Associates, PC, to perform an examination of the Recovery Act Weatherization Program services provided by a sample of the State of New York's sub-grantees. People's Equal Action and Community Effort, Inc. (PEACE), is one of four sub-grantees selected by OIG. PEACE was awarded two contracts under the Recovery Act to weatherize homes – \$9.6 million and a separate contract valued at \$4 million for multi-family projects.

■ The review identified opportunities for PEACE to improve its administration of Recovery Act funds made available by the Department's Weatherization Program. Specifically, the examination found that PEACE had not:

- Developed and maintained a list of previously weatherized multi-family projects or information from the State of New York to determine the eligibility of proposed projects for Recovery Act Weatherization Program services;
- Properly identified and separately accounted for over \$3,000 in interest earned on the Weatherization Program cash advance it received from the Department, and therefore, had not returned the interest earned to the U.S. Department of Treasury as required;
- Performed post-inspections on all units that received additional weatherization services because of deficiencies identified; and,
- Maintained a list of all weatherization measures installed precluding the occupant from certifying the work was completed.

■ The Examination Report made a number of recommendations to PEACE to improve the administration of its Weatherization Program. PEACE agreed with the recommendations, and provided planned and ongoing actions to address the issues identified. In addition to the response provided by PEACE, the New York State Department of Housing and Community Renewal provided a response generally concurring with the audit findings and recommendations. While these responses and planned corrective actions are responsive to our recommendations, the Department needs to ensure the planned actions are taken.

■ The Department also concurred with our recommendations and indicated that PEACE will be asked to make a number of improvements designed to resolve the identified issues. Additionally, the Department Project Officer and/or Contract Specialist will monitor the progress of PEACE during quarterly reviews. Follow-up will continue until all recommendations have been implemented.

Team Leader:
Staff:

(b)(6)

Examination Report on "Action for a Better Community, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009" (A11RA022), OAS-RA-11-21, September 30, 2011

■ The Department of Energy's (Department) Weatherization Assistance Program (Weatherization Program) received \$5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to improve the energy efficiency of residences

owned or occupied by low-income persons. The Department subsequently awarded the largest Recovery Act Weatherization Program grant of \$394.6 million to the State of New York.

■ The Department's Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Otis and Associates, PC, to perform an examination of the Recovery Act Weatherization Program services provided by a sample of the State of New York's sub-grantees. Action for a Better Community, Inc. (ABC), is one of four sub-grantees selected by OIG. The Examination Report expressed an opinion on ABC's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. ABC was awarded \$7.4 million under the Recovery Act.

■ The review identified opportunities for ABC to improve its administration of Recovery Act funds made available by the Department's Weatherization Program. Specifically, the examination found that ABC had not:

- Performed adequate weatherization services on five of the nine single-family homes selected for review;
- Ensured compliance with State of New York policies and procedures related to purchasing;
- Deposited or maintained advance funding received from the Weatherization Program in an interest-bearing account, as required by Federal regulation;
- Maintained adequate segregation of duties in the process for determining owner/occupant eligibility for receiving weatherization services;
- Maintained documentation to ensure homes selected for weatherization had not been weatherized after September 30, 1994, with Department Weatherization Program funds; and,
- Maintained documentation supporting authorization and approval of reimbursements

■ The Examination Report made a number of recommendations to ABC to improve the administration of its Weatherization Program. ABC provided responses that expressed agreement with most of the recommendations, and provided planned and ongoing actions to address the issues identified. In addition to the response provided by ABC, the New York State Department of Housing and Community Renewal provided a response generally concurring with the audit findings and recommendations. While these responses and planned corrective actions are responsive to our recommendations, the Department needs to ensure the planned actions are taken.

■ The Department also concurred with our recommendations and indicated that ABC will be asked to make a number of improvements designed to resolve the identified issues. Additionally, the Department Project Officer and/or Contract Specialist will monitor the progress of ABC during quarterly reviews of ABC. Follow-up will continue until all recommendations have been implemented.

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Team Leader: (b)(6)
Staff:

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Audit Letter Report on "*The 12 GeV CEBAF Upgrade Project at Thomas Jefferson National Accelerator Facility*" (A10RA065), OAS-RA-L-11-13, September 30, 2011.

- We found that the 12 billion electron volts Upgrade Project (Upgrade Project) generally complied with the Recovery Act requirements we tested and was, for the most part, on schedule. However, we identified several opportunities to strengthen project monitoring and control. Specifically, we found that:
- Jefferson Science Associates used funds from the Commonwealth of Virginia (Virginia) to pay for Upgrade Project tasks even though the funds had not been formally obligated to its contract.
 - Jefferson Laboratory did not include all of the costs for the Upgrade Project in the Total Project Cost (TPC). In particular, project tasks funded with the Virginia monies were removed from the calculation of TPC and accounted for separately.
 - Jefferson Laboratory was not timely in addressing the Office of Science Office of Projects Assessment's (OPA) concerns regarding risks posed by a solenoid magnet to be used in the GlueX spectrometer, which is the centerpiece of the Upgrade Project.
- Subsequent to our inquiries on the issue, the Site Office in consultation with the Oak Ridge Office placed the Virginia funding on JSA's contract using a Work for Others (WFO) agreement. According to the Oak Ridge Office and the Site Office, this method was considered appropriate and easier to accomplish than a gift. While using a WFO may have been an easier method to place the Virginia funds on the contract, the Department's WFO directives were not clear on how this particular type of transaction constituted being a WFO because the agreement was for Upgrade Project tasks that were already included in the Department's planned funding profile.
- We suggested that several management best practices be implemented, all of which are designed to help improve the Advanced Research Projects Agency – Energy's administration and stewardship of taxpayer furnished resources.

Team Leader: (b)(6)

AIC: (b)(6)

Staff:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on "*Management of Bonneville Power Administration's Information Technology Program*," September 26, 2011, (A11TG020)

- Prior reviews have identified weaknesses related to Bonneville Power Administration's (Bonneville) information technology (IT) program. For instance, our report on *Cyber Security Risk Management Practices at the Bonneville Power Administration* (DOE/IG-

0807, December 2008) identified risk management weaknesses related to Bonneville's Federal requirement to certify and accredit its information systems for operation, a problem that could adversely impact the security of critical systems and the data they contain. In light of the need to manage IT resources in a cost-effective and secure manner, we initiated this audit to determine whether Bonneville effectively and efficiently implemented its IT program.

- Bonneville had taken steps to address the cyber security concerns raised in our prior review. For instance, officials had performed detailed assessments of security controls on various general support systems. However, our current review identified concerns in the areas of cyber security, project management, and procurement of IT resources. In particular, Bonneville had not implemented controls designed to address known system vulnerabilities; operational security controls designed to protect Bonneville's systems had not always been fully implemented; IT development projects were not consistently managed in a manner designed to ensure timely and cost-effective completion; and, Bonneville's IT hardware and software was not always procured in a coordinated manner, resulting in increased security risks.
- The issues identified were due, in part, to inadequate implementation of policies and procedures related to security and project management. We also determined that inadequate planning of resource requirements prevented Bonneville from effectively managing its IT program. Furthermore, the organizational structure of Bonneville, including the placement of the Office of the Chief Information Officer, did not adequately support effective management of the IT program.
- Without improvements to its IT program, Bonneville's systems and the information they contain may be exposed to a higher than necessary level of risk of compromise, loss, modification and non-availability. In addition, Bonneville may continue to experience problems related to project management and spend more than necessary on IT resources.

(b)(5)

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

■ 2011 Privacy Awareness Course (PAC) must be complete by October 31, 2011.

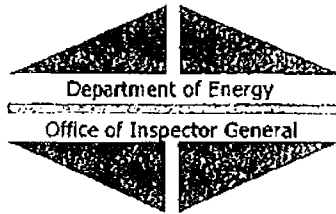
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending October 7, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on "The Department's Unclassified Cyber Security Program - 2011," September 30, 2011, (A11TG026)

■ The Federal Information Security Management Act of 2002 (FISMA) provides direction on the development, implementation and management of an agency-wide information security program to provide protection commensurate with risk for Federal information and systems, including those managed by another agency or contractors. The Office of Inspector General conducted an annual independent evaluation in accordance with FISMA to determine whether the Department of Energy (Department) has adopted a risk-based cyber security program that adequately secures its unclassified information and systems.

■ The Department had taken steps over the past year to enhance its unclassified cyber security program. For example, corrective actions had been taken to resolve 11 of 35 cyber security weaknesses identified during our Fiscal Year 2010 evaluation. In addition, the Department issued Order 205.1B, *Department of Energy Cyber Security Program*, in May 2011 that included key elements of continuous monitoring and assessment of the risk management process, and required that Federal oversight be conducted through assurance systems that monitor the risk evaluation and protection processes at each level in the organization.

■ (b)(5)
(b)(5) In particular, our review revealed numerous weaknesses in the areas of access controls, vulnerability management, web application integrity, contingency planning, change control management, and cyber security training. Specifically, issues include deficiencies related to access controls such as weak or blank system administrator passwords and a lack of periodic account reviews and management; weaknesses in the area of system vulnerability management; weaknesses in web applications; lack of business continuity/disaster recovery plan and an overall business impact analysis; weaknesses in properly maintaining application change test plans and results; and, implementation of annual cyber security training.

- ☒ The weaknesses identified occurred, at least in part, because Departmental elements had not always ensured that cyber security requirements were effectively implemented. In addition, Department programs and the National Nuclear Security Administration had not conducted adequate cyber security performance monitoring. (b)(5)

(b)(5)

☒ (b)(5)

Team Leader: (b)(6)
AIC:
Staff:

Draft Audit Report on "The Department of Energy's Clean Cities Alternative Fuel Vehicle Grant Program Funded under the American Recovery and Reinvestment Act," October 7, 2011 (

- ☒ Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's Clean Cities Alternative Fuel Vehicle Grant Program (Clean Cities Program) received nearly \$300 million, or 30 times its Fiscal Year 2009 funding of approximately \$10 million. The Department awarded grants ranging from \$5 million to \$15 million to 25 recipients including Clean Cities coalitions and other entities that partnered with coalitions. Grant funding may be used for the construction or upgrade of alternative fueling sites and the purchase of commercial vehicles capable of using alternative fuels, including garbage and transport trucks, buses, and taxis. Clean Cities coalitions are volunteer organizations that partner with public and private sector organizations to promote alternative and renewable fuels, fuel economy measures, and new technologies. The Department required each recipient receiving a grant to provide at least 50 percent of the funding for its proposed project through cost sharing. (b)(5)

(b)(5)

- ☒ Because of the importance of the Recovery Act and the dramatic increase in funding, we initiated this audit to determine whether the Department had effectively managed the Clean Cities Program.

- ☒ The Department had not always effectively managed the Clean Cities Program's use of Recovery Act funding. Specifically, in our review of 7 recipients, we found that the Department:

- Paid a recipient about \$1.5 million for costs incurred and approved about \$615,000 in cost sharing contributions, even though the recipient had not substantiated its contributions and requests for reimbursement. (b)(5)

(b)(5)

(b)(5)

In another instance, the Department approved a recipient's claim for

cost share contributions even though the recipient lacked documentation supporting the reasonableness of costs amounting to approximately \$164,000

- Allowed recipients to obtain goods and services without ensuring open and free competition, to the maximum extent practical, as required by Federal regulations. We found that three recipients awarded almost \$20 million without soliciting bids, justifying their decisions to award contracts without competition, or identifying potential conflicts of interest as required by Federal procurement regulations. Consequently, the Department could not be assured that goods and services were procured at the most reasonable cost. Therefore, we questioned nearly \$3.3 million spent on the projects to date and almost \$1.4 million in cost share commitments; and,
- Reimbursed a recipient for expenditures made before the grant period commenced. We found that the Department paid \$250,000 to one recipient for a down payment on an alternative fueling station that was invoiced 3 months prior to the grant's authorized spending date of July 2009. As a result of our audit, the Department immediately recovered the unallowable \$250,000.

■ In total, we questioned about \$5 million in direct payments to recipients and nearly \$2 million in cost share commitments made by grant recipients.

■ Weaknesses in grant administration resulted from inadequate policies and procedures and ineffective oversight. For example, the Department had not thoroughly reviewed recipient requests for reimbursement. Additionally, the Department had not developed formal policies and procedures requiring officials to review funded projects for potential conflicts of interest and to enforce procurement requirements pertaining to competitive bidding. These issues increased the risks of fraud, waste and abuse, and, if unresolved, will ultimately diminish the achievements of the Program. With nearly (b)(5) million yet to be spent on the Program, it is essential that the Department take immediate action to correct the issues identified in the report. As such, we made several recommendations to address the issues discussed in our report.

Team Leader (b)(6)

AIC: (b)(6)

Staff:

■ A Coordination Draft Report titled Management of Explosives at Selected Department Sites (S10IS012), was issued to management for comment on October 6, 2011. Our Inspection identified issues at four sites that we visited which included Sandia National Laboratory, Los Alamos National Laboratory, the Savannah River Site and the Idaho National Laboratory. We found that inspections of explosive shipments were conducted at populated main gates rather than remote areas; inspection procedures allowed explosive shipments that failed inspection to return to public highways; explosive operating facilities that did not satisfy safety requirements related to distance from other structures; explosives that had undergone severe tests which were returned to normal storage without a documented analysis to determine if safe for continued storage; excess combustible and non-combustible material were stored with explosives; incorrect posting of placards and fire signals on bunkers; and, no plans to dispose of the excess explosive waste. Department management at the four sites we visited took corrective actions during the inspection to address the majority of our issues identified in this report; however, we made one

recommendation to Idaho to identify a remote unpopulated inspection station to conduct inspections of incoming explosive shipments.

Lead Inspector: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Entrance Briefing on "Use of Consulting Contracts at Sandia National Laboratories"

- On October 4, 2011, an Entrance Briefing was conducted on the inspection titled "Use of Consulting Contracts at Sandia National Laboratories." The objective of the inspection is to determine if consulting contracts are being awarded for activities that could be performed in-house. A video teleconference (VTC) took place at three locations: National Nuclear Security Administration (NNSA) Headquarters, NNSA Albuquerque Complex, and Sandia National Laboratories. Representatives from NNSA Headquarters and Defense Programs, Department Headquarters, the Sandia Site Office, Sandia National Laboratories, and the Albuquerque Complex were in attendance. (S11IS009)

Team Leader: (b)(6)
Lead Inspector: (b)(6)
Team Member:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

■ 2011 Privacy Awareness Course (PAC) must be complete by October 31, 2011.

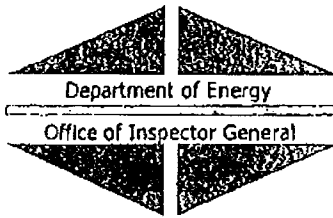
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending October 21, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on *"The Department's Unclassified Cyber Security Program – 2011,"* October 20, 2011, DOE/IG-0856, (A11TG026)

- The Federal Information Security Management Act of 2002 (FISMA) established requirements for all Federal agencies to develop and implement agency-wide information security programs. FISMA also directed Federal agencies to provide appropriate levels of security for the information and systems that support the operations and assets of the agency, including those managed by another agency or contractors. As required by FISMA, the Office of Inspector General conducted an annual independent evaluation to determine whether the Department's of Energy's (Department) unclassified cyber security program adequately protected its data and information systems.
- The Department had taken steps over the past year to address previously identified cyber security weaknesses and enhance its unclassified cyber security program. While these were positive steps, additional action is needed to further strengthen the Department's unclassified cyber security program and help address threats to its information and systems. For example, our FY 2011 evaluation disclosed that corrective actions had been completed for 11 of the 35 cyber security weaknesses identified in our FY 2010 review. In addition, we identified numerous weaknesses in the areas of access controls, vulnerability management, web application integrity, contingency planning, change control management, and cyber security training. While many of the same or similar issues had been noted in prior FISMA reports, the number of weaknesses identified represented a 60 percent increase over our FY 2010 review.
- The weaknesses identified occurred, in part, because Departmental elements had not ensured that cyber security requirements included all necessary elements and were properly implemented. Program elements also did not always utilize effective performance monitoring activities to ensure that appropriate security controls were in place.
- Without improvements to its unclassified cyber security program, such as consistent risk management practices and adopting processes to ensure security controls are appropriately developed, implemented, and monitored, there is an increased risk of compromise and/or loss, modification, and non-availability of the Department's systems and information. As observed in the recent cyber attacks at four sites, exploitation of vulnerability can cause significant disruption to operations and/or increase the risk of modification or destruction of sensitive data or programs.
- We made several recommendations to help the Department strengthen its unclassified cyber security program for protecting its systems and data from the threat of compromise, loss or modification. Management concurred with the report's recommendations and disclosed that it had initiated or already completed actions to address issues identified in our report.

Team Leader: (b)(6)
AIC:
Staff:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Management Alert on "*The Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority*," October 14, 2011, (A10RA013)

- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), Department of Energy's (Department), Western Area Power Administration (Western) was granted \$3.25 billion in borrowing authority to help build transmission infrastructure. Western is permitted to use its borrowing authority in perpetuity and may request forgiveness, if necessary, for amounts outstanding at the end of the useful life of a project. To meet the Recovery Act's goals of promoting job creation and economic recovery, Western's Transmission Infrastructure Program (Program) first used its borrowing authority to execute a financing agreement with Montana Alberta Tie Ltd. and MATL LLP (jointly referred to as MATL) in October 2009, to construct a "shovel-ready" 214-mile transmission line between Great Falls, Montana, and Lethbridge, Alberta, Canada. The line is intended to provide interconnection for proposed wind power generation farms in Montana. The MATL companies, wholly owned subsidiaries of Tonbridge Power Inc., a Canadian transmission developer, contracted with an independent contractor to build the transmission line.
- Western financed \$161 million of the original \$213 million transmission project's estimated cost with \$52 million contributed from other sources, including non-federal loans. MATL's repayment of the Western loan is scheduled to commence after the project is operational and generating revenue.
- Western had not implemented the necessary safeguards to ensure its commitment of funding was optimally protected. Specifically, Western had not initially required MATL to establish:
 - An earned value management system to provide timely, integrated cost and schedule information to allow Western to adequately monitor the progress of the project. In February 2010, Western informed MATL that it expected the company to use earned value management to report integrated budget and schedule information. However, MATL continued to provide inadequate information until March 2011, or over a year later. While Western worked aggressively with MATL in an attempt to understand and ameliorate the impact of delays, in the absence of useful earned value management data, it was not optimally positioned to determine the extent of the delays and the potential for cost overruns; and,
 - A risk-based management reserve to fund unanticipated cost overruns. In fact, MATL did not establish a reserve until nearly a year after the start of the project. Western officials reported that MATL's reserve would soon be depleted.

- Western became aware of these issues and engaged in extensive discussions with MATL and other project stakeholders to get the project back on track. However, it had not completed a formal root cause analysis documenting the underlining reasons for project delays and a formal plan to ensure adequate internal controls are sufficient for this and future projects.
- The results of our audit indicate that Western's lack of lending experience, combined with the urgency to expedite a "shovel-ready" project, were the primary causes of the issues we identified. Western officials acknowledged that there are lessons learned from their first lending experience, including the need for earned value management and establishment of an adequate management reserve at the beginning of a project. Further, Western stated to us that there was pressure from Department officials responsible for implementing the Recovery Act to spend money quickly. As we have noted in other Recovery Act-related reports, pressure to expedite actions can increase the risk that project safeguards will not be properly established and/or executed.
- In addition to these project management issues, we also noted an impending gap in funding available to operate the Program. Existing funding will be depleted in Fiscal Year 2012, and revenues from MATL and other new projects will not be available to fund ongoing costs of the Program for several years. Western is exploring alternatives for providing Program funding.
- We made four recommendations to the Administrator of Western Area Power Administration to improve Western's use of its Recovery Act borrowing authority.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Report on *"Use of Non-Competitive Procurements to Obtain Services at the Savannah River Site"*, October 18, 2010, (A10SR024)

- In 2009, Savannah River Nuclear Solutions, LLC (SRNS) awarded two non-competitive contracts for personnel services to two of its three parent companies, Fluor Federal Services, Inc. (Fluor) and Newport News Nuclear, Inc. (Newport News). During the period June 2009 through August 2010, SRNS released 126 purchase orders against these contracts valued at approximately \$26 million. Given the significant level of activity in this area, we initiated this audit to determine whether the Department of Energy (Department) had ensured that SRNS appropriately applied contracting requirements when non-competitively acquiring services from affiliates or related parties.
- The Department had not always ensured that SRNS met contracting requirements when acquiring services from its affiliates. Specifically, we found that SRNS had not:
 - Obtained the required Department approval for the two non-competitive contracts it awarded to Fluor and Newport News during 2009. Although specifically required under the terms of its contract, SRNS also did not obtain approval for subsequent

modifications that increased the budget ceilings for those contracts from \$5 million and \$500,000 to \$40 million and \$15 million, respectively;

- Demonstrated, in most cases, that the affiliates were the sole sources capable of providing the expertise necessary to perform the needed services, as required by its contract for non-competitive awards to affiliate companies; and,
- Performed cost analyses to ensure the reasonableness of the cost of affiliate personnel services, as required.

■ The non-competitive acquisitions occurred and persisted because the Department did not effectively oversee SRNS' procurement of affiliate personnel services. While the Department was aware that SRNS intended to obtain affiliate personnel services, Department contracting officials were apparently unaware that they had approved an exemption from Federal requirements for the acquisition of affiliate personnel services as part of a multiple modification initiative to the SRNS' procurement manual. Additionally, the Department was not notified of a potential Organizational Conflict of Interest because SRNS' General Counsel determined that SRNS did not need to submit an Organizational Conflict of Interest representation to the Department for these two non-competitive contracts with its parent companies.

■ Although SRNS determined that it did not need to submit an Organizational Conflict of Interest representation to the Department for approval, we noted that SRNS officials directly involved in the overall management and administration of the two affiliate contracts were assigned to SRNS, but remained employees of the parent companies. While we did not identify any actual conflicts of interest during our review, in our opinion, the appointment of affiliate personnel to key management positions, whose roles include administering the two affiliate contracts, creates an appearance of an Organizational Conflict of Interest.

■ In the absence of effective Department oversight of SRNS' acquisition of affiliate personnel services, the Department lacked assurance that due consideration was given to acquiring these services via competitive means and that they were obtained at fair and reasonable prices. The significance of this is demonstrated by the fact that, at the time of our review, SRNS had released purchase orders against the two non-competitive contracts with Fluor and Newport News totaling approximately \$26 million and had raised the contractual budget ceilings for these contracts from \$5.5 million to \$55 million.

■ In response to our ongoing audit, the Savannah River Operations Office initiated a review to determine the reasonableness of the cost of affiliate personnel services that were acquired. While this action is commendable, we believe that additional action is necessary. As such, we made a number of recommendations designed to strengthen the Department's oversight of SRNS' acquisitions from affiliates and address deficiencies associated with SRNS' acquisition of affiliate personnel services.

Team Leader: (b)(6)
AIC:
Staff:

(b)(6)

- Ensuring that the Nation's power grid is adequately protected from malicious cyber attacks has been and continues to be an area of concern. For example, our report on the *Federal Energy Regulatory Commission's Monitoring of Power Grid Cyber Security* (DOE/IG-0846, January 2011) disclosed weaknesses related to the Critical Infrastructure Protection cyber security standards. In addition, the U.S. Government Accountability Office report on *Electricity Grid Modernization* (GAO-11-117, January 2011) identified weaknesses regarding the implementation and enforcement of Smart Grid cyber security guidelines. Given the importance of developing an effective and secure Smart Grid system, we performed this audit to determine whether the Department adequately administered and monitored the Smart Grid Investment Grant (SGIG) program.
- Although the Department had taken a number of positive actions, our audit revealed that it had not adequately managed several critical aspects of the SGIG program. The problems that we discovered could jeopardize achievement of Recovery Act goals. In particular, we found that Department officials approved Smart Grid projects that included elements that did not support the goals of the SGIG program or used Federally-sourced funds to meet cost-share requirements, and three of five cyber security plans reviewed were incomplete and did not always sufficiently describe security controls and how they were implemented.
- The issues identified were due, in part, to the accelerated planning, development, and deployment approach adopted by the Department for the SGIG program. In particular, the Department had not ensured that the methodology used to monitor the SGIG program was effective. Furthermore, officials approved cyber security plans for Smart Grid projects even though there were shortcomings that could result in poorly implemented controls. We also found that, because the Department was focused on quickly disbursing Recovery Act funds, it had not ensured personnel had received adequate training to manage grants.
- Without improvements, there remains a significant risk that the goals and objectives of the Smart Grid may not be fully realized. In addition, we questioned reimbursements totaling more than (b)(5) for activities related to the installation and/or disposal of obsolete meters, use of Federal funds to meet cost-share obligations, and duplicate cost reimbursement.

Team Leader: (b)(6)
AIC:
Staff:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on October 19, 2011 to discuss the *Follow-up Audit of the Department of Energy's Pollution Prevention Program* (A12OR002). At the entrance

conference were representatives from the Office of Health, Safety and Security, Office of Science, Office of Environmental Management, National Nuclear Security Administration, Oak Ridge National Laboratory, Y-12 National Security Complex and Paducah Gaseous Diffusion Plant. The purpose of the audit is to determine whether the Department has an effective pollution prevention program. In attendance from the Office of Inspector General were (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

Coordination Draft Inspection Report Issued

- On October 18, 2011, the Office of Inspections issued a Coordination Draft Inspection Report on "Protection of Federal Sensitive Unclassified Information and Property Accountability under the Cooperative Agreement with the Incorporated County of Los Alamos." The Coordination Draft was sent to the Manager, Los Alamos Site Office, the Contracting Officer, Albuquerque Complex and the Director, Office of Internal Controls, NA-MB-20, for informal comments. We asked to receive all Coordination Draft comments within 5 working days, after which we will prepare the Official Draft Report. (S11IS004)

Team Leader: (b)(6)

Lead Inspector: (b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Privacy Awareness Course (PAC) must be complete by October 31, 2011.
-

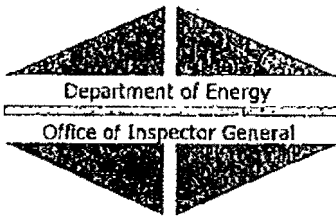
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending October 28, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

- A coordination draft report titled Alleged Misuse of American Recovery and Reinvestment Act of 2009 Grant Funds by the Western Arizona Council of Governments was issued to the Department of Energy's Energy Efficiency and Renewable Energy management on October 27, 2011. The draft report disclosed a lack of required preapproval for capital expenditures, weaknesses in the purchasing of goods and services, inaccurate reporting on completed weatherization projects, and inaccurate reporting on the details of actual work performed. We are tentatively making five recommendations to management to address the weaknesses identified in our inspection. The lead inspector is Mike Sivok, assisted by Todd Siemering (SI11S005).
-

Draft Evaluation Report on "*Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2011*," October 28, 2011, (A11TG027)

- The Federal Energy Regulatory Commission (Commission) is an independent agency within the Department of Energy responsible for regulating the Nation's oil pipeline, natural gas, hydroelectric and wholesale electric industries. The Commission relies on a wide range of information technology (IT) resources in achieving its mission of assisting consumers in obtaining reliable, efficient, and sustainable energy services. As highlighted by various cyber attacks at various Federal entities over recent years, malicious individuals continue to take advantage of the changing information security threat landscape and exploit vulnerabilities in IT resources that have not been remediated. To help protect against cyber security threats such as these, the Commission estimated that it would expend approximately \$3.8 million during Fiscal Year (FY) 2011 to secure its IT assets.
- The Federal Information Security Management Act of 2002 (FISMA) established requirements for Federal agencies related to the management and oversight of information security risks and to ensure that IT resources were adequately protected. As directed by FISMA, the Office of Inspector General conducted an independent evaluation of the Commission's unclassified cyber security program to determine whether it adequately

protected data and information systems. This report presents the results of our evaluation for FY 2011.

- The Commission had taken actions to improve its cyber security posture and mitigate risks associated with certain issues identified during our FY 2010 evaluation. While these measures are noteworthy, our current evaluation disclosed that additional action is needed to further protect information systems and data. Specifically, we continued to identify weaknesses related to the Commission's timely remediation of software vulnerabilities.
- The problems we identified with the Commission's vulnerability management program (VMP) were due, in part, to less than fully effective implementation of policies and procedures. In particular, Commission officials informed us that they did not follow their existing VMP policies, due to budget and resource constraints. Although the Commission continued to make progress in improving its cyber security posture, additional actions are needed to further reduce the risk to the agency's information systems and data.

Team Leader: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on October 25, 2011 to discuss the *Audit of the Department of Energy's Improper Payment Reporting in the Fiscal Year 2011 Annual Financial Report* (A11FN009). The overall objective of the audit is to complete an evaluation of the accuracy and completeness of agency reporting, and evaluate agency performance in reducing and recapturing improper payments, under the Improper Payments Elimination and Recovery Act. At the entrance conference were representatives from KPMG LLP, Office of the Chief Financial Officer, and the Office of Inspector General (OIG). In attendance from the OIG were (b)(6)

(b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- An entrance conference was held and initial inspection fieldwork commenced on October 17th at the Idaho National Laboratory by Inspectors (b)(6). The title of the inspection is Tactical Response Force Planning at the Idaho National Laboratory. (S11IS013)
-

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2011 Privacy Awareness Course (PAC) must be complete by October 31, 2011.
 - Headquarters 2011 Annual Security Refresher Briefing must be complete by December 9, 2011
-

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

- The Office of Audits and Inspections is pleased to announce Ms. Penny Peyton as our newest Inspector joining the Inspections staff in Washington, DC. Ms. Peyton has approximately 14 years of experience conducting inspection-related activities, and comes to us from the Department of the Treasury's Office of Inspector General (OIG), where she worked for the last two years as a Program Analyst. Ms. Peyton's experience also includes two years as a Regional Fraud Investigator for the Commonwealth of Virginia, six years as a Magistrate for a Chief Circuit Court Judge, and one year of experience as a Tax Auditor.

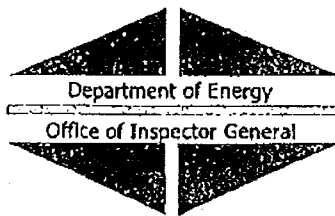
Ms. Peyton holds dual Bachelor's Degrees in Political Science and Public Administration from James Madison University (1991) and holds an active security clearance.

- The Office of Inspections is also pleased to announce the hiring of an additional staff member for the Livermore office. Ms. Terri Toole, a U.S. Department of Education OIG Auditor, will be joining the staff there in the near future. Ms. Toole has previously worked as an Auditor for the IRS and as a Logistics Manager for the Department of Defense. Terri is in the process of completing a Masters Degree in Accounting at the California State University, Sacramento.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending November 4, 2011

FINAL REPORTS ISSUED THIS WEEK:

Report on "*Non-Facility Contractor Prior Performance*", October 28, 2011, DOE/IG-0857, (A11CP001)

- The Department of Energy (Department) obligated approximately \$89 billion during Fiscal Years 2009 and 2010, through various contracts and financial assistance awards. Holding contractors accountable for past performance is an important tool for making sure that the Federal government and the taxpayers that it represents, receive good value from its contracts. Accordingly, we initiated this audit to determine whether the Department adequately considered contractor prior performance when making new non-facility contract and financial assistance awards.
- The Department had not always considered prior contractor performance nor completed contractor performance assessments in a timely manner for non-facility contract and financial assistance awards. In particular, our review of contractor performance assessment reports and a random sample of contract and financial assistance awards and closeouts, of the same types of actions at three sites, found that the Department could not demonstrate that it had:
 - Evaluated contractor prior performance before making 104 of the 519 (20 percent) contracts and financial assistance awards we reviewed;
 - Reviewed the Government-wide Excluded Parties List System to ensure that offerors and applicants were not debarred from doing business with the Federal Government for 42 of 519 (8 percent) of our sample items. Even though the Department could not confirm that a review of the contractor's eligibility had been performed, we were able to readily discern based on our own testing that none of the 42 contractors had been debarred; and,
 - Completed post award contractor performance evaluations within the required 120 calendar days after the evaluation period for 323 of the 881 (37 percent) contracts requiring such an evaluation that we reviewed. In fact, 192 evaluations were overdue by 6 months or more. This practice deprives the Department and other Federal agencies of information necessary to make informed procurement decisions.
- These issues occurred because procurement officials and/or contracting personnel did not follow or apply Federal and Departmental requirements and procedures. In addition, Department officials stated that post award evaluations of contractor performance were often not performed because contracting officer's representatives did not place sufficient emphasis on completing this requirement.
- With literally billions of dollars in taxpayer provided funds in play for Department contracts, grants and financial assistance awards, procurement and program officials need

all of the information they can gather to ensure that they make the best possible award decisions. Developing meaningful post award performance assessments and objective evaluations of contractor past performance prior to award are critical to ensuring that the Government does business with companies that deliver quality goods and services on time and within budget; and, that the taxpayer's interests are protected.

- We provided several recommendations involving the adoption of best practices that should help the Department improve its controls over the evaluation of contractor prior performance. The National Nuclear Security Administration generally agreed with the finding and recommendations. The Office of Management, while agreeing with portions of the finding and recommendations, disagreed that contracting officers were required to review a prospective awardee's prior performance as part of the financial assistance selection process. We recognize that Federal regulations do not require such an evaluation as part of the selection process. However, contracting officers are required to evaluate the awardee's prior performance in order to determine whether special terms and conditions should be included in the award. Both the National Nuclear Security Administration and the Office of Management elected to waive the exit conference.

Team Leader:
AIC:
Staff:

(b)(6)

Report on "Follow-up Review of Security at the Strategic Petroleum Reserve," November 1, 2011, INS-O-12-01, (S10IS014)

- The Department of Energy's (Department) Strategic Petroleum Reserve (SPR) has the largest stockpile of Government-owned emergency crude oil in the world and exists foremost as an emergency response tool the President can use should the United States be confronted with an economically-threatening disruption in oil supplies. Established in the aftermath of the 1973-74 oil embargo, SPR currently stores approximately 727 million barrels of oil in underground salt caverns located in Louisiana and Texas. In June 2005, the Office of Inspector General (OIG) issued a report on "Review of Security at the Strategic Petroleum Reserve," (DOE/IG-0693). Our report concluded that additional measures could be implemented to improve physical security of SPR sites in the areas of insider threat, deadly force authority, protective force performance test realism, Security Police Officers (SPO) performance testing programs and comprehensive security reviews. Management concurred with the recommendations and stated that they took corrective actions in response to our report. Additionally, in August 2010, the OIG Hotline received a complaint alleging that the protective force performance test realism had not improved and that SPR training program did not provide a clear understanding as to whether or not a SPO should shoot to kill to protect personnel or property.
- Given the recent complaint and the importance of having effective security, we initiated this inspection to determine if SPR had improved selected aspects of its security and to assess the facts and circumstances surrounding the allegation.
- We determined that SPR officials had generally implemented corrective actions in response to our earlier report; however, our inspection revealed a concern regarding security officers'

understanding of situations in which the use of deadly force was permitted at three of the four SPR sites we visited. Specifically, we determined that contrary to the Federal regulation which limits the use of deadly force to the protection of personnel from imminent death and bodily harm, 9 of 36 SPOs we interviewed mistakenly believed that they should use deadly force to protect SPR infrastructure. Even though the responses at the last three facilities we visited significantly improved, we recommended that the Project Manager, Strategic Petroleum Reserve require that all SPR facilities ensure that all protective force members understand when it is appropriate to use deadly force.

- The SPR Project Manager concurred with the report's recommendation and considers the recommendation closed. Management has taken corrective action to address the SPOs' awareness of deadly force use and will continue with their intensive oversight and improvement efforts to ensure that each SPO fully understands when deadly force is justified. We consider management's comments and corrective actions responsive to our recommendation.

Team Leader:

(b)(6)

Lead Inspector:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

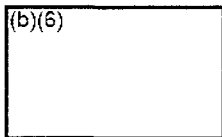
LETTER REPORTS ISSUED THIS WEEK:

Audit Report on, "*The National Nuclear Security Administration Global Threat Reduction Initiative's Contract Administration*" OAS-L-12-01, October 25, 2011 (A11AL003)

- The National Nuclear Security Administration's (NNSA) Office of Defense Nuclear Nonproliferation established the Global Threat Reduction Initiative (GTRI) in May 2004, as a vital part of the efforts to combat nuclear and radiological terrorism. GTRI's mission is to reduce and protect vulnerable nuclear and radiological material located at civilian sites worldwide. GTRI accomplishes this through three subprograms: Convert, Remove, and Protect. The Convert subprogram focuses on converting research reactors from using high enriched uranium to low enriched uranium. The goal of the Remove subprogram is to remove and dispose of excess nuclear and radiological materials. Finally, the Protect subprogram protects high priority nuclear and radiological materials from theft and sabotage. GTRI supports the Department's Nuclear Security goal by preventing terrorists from acquiring nuclear and radiological materials that could be used in weapons of mass destruction or other acts of terrorism. GTRI has completed or has ongoing activities in 124 countries around the world.

- We found that, overall, NNSA established a system of controls to manage its GTRI contracts. In particular, GTRI personnel verified contract deliverables, employed multiple monitoring techniques, and reviewed contract costs. For example, GTRI representatives stated that they conducted site visits approximately every six weeks for one of the large foreign contracts we reviewed. According to GTRI officials, site visits afforded GTRI representatives an opportunity to view contractor performance and determine if any tasks required adjustments.
- We also concluded that NNSA had a process in place to review contract costs for allowability, allocability, and reasonableness. We sampled invoices from the 12 contracts we reviewed and noted that GTRI technical representatives and contract office staff performed joint reviews upon receipt of contractor invoices for firm fixed price contracts. We also verified contract specialist reviews of cost reimbursement and time and material contract invoices for any unallowable costs and noted instances where costs were disallowed when they did not comply with the negotiated rates.
- One especially large GTRI contract accounted for \$131 million of the \$272 million of GTRI's foreign and small business contracts. In December 2003 the Department entered into a contract with the Kazakhstan Nuclear Enterprise Corporation (KATEP) to transfer spent fuel at the BN-350 reactor in Aktau, Kazakhstan into safe, secure long-term storage. The contract fulfilled an international agreement to prevent the proliferation of nuclear weapons. At the time, the Department did not know the scope and cost of the work.
- Although the full cost and scope were unknown, NNSA mitigated the risk of incurring unallowable costs by requiring task assignments as the cost and scope were determined. The task assignments that were issued described the scope of work to be performed, milestones, period of performance, fixed prices, etc. When NNSA and KATEP agreed to the terms of the task assignment, they incorporated the assignments into the KATEP contract. In fact, KATEP could not begin work prior to NNSA's issuance of the task assignments signed by the Contracting Officer.
- NNSA officials stated that they implemented procedures that reduced the risk that NNSA would incur costs under the KATEP contract that were not fair or reasonable. Pricing professionals carefully scrutinized the proposed price of tasks issued to verify that each proposed price was fair and reasonable. In addition, NNSA officials actively assisted KATEP in competitively bidding tasks to its subcontractors. Scheduled deliverables were also verified by the NNSA program office and contract administrators as a part of the invoice approval process. Finally, NNSA utilized the Management Support Systems Branch/Pricing Section, which provides advice and tools, and uses databases of international cost data and historical foreign cost information to assist the GTRI program.
- According to a GTRI document, the work in Kazakhstan was completed in November 2010 is a success story for the GTRI program. In the end, KATEP secured and protected enough nuclear materials to make about 775 nuclear weapons.

Team Leader: (b)(6)
AIC:
Staff:



FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An exit conference was held on November 3, 2011 for the Audit of the Federal Energy Regulatory Commission's (FERC) Fiscal Year (FY) 2011 Financial Statements. FERC's FY 2011 financial statements have an unqualified opinion. At the exit conference were representatives from the Office of Inspector General (OIG), FERC, and KPMG, LLP. In attendance from the OIG were (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

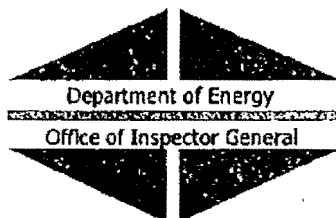
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending November 10, 2011

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on, Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation, during February 1, 2009 through September 30, 2010, Under Department of Energy Contract No. DE-NR0000031, OAS-V-12-01, October 31, 2011, (A11PT008)

- Since 2009, Bechtel Marine Propulsion Corporation (BMPC) has operated the Bettis Atomic Power Laboratory (BAPL) and the Knolls Atomic Power Laboratory (KAPL) under contract with the Department of Energy (Department). BMPC was established solely to operate the Naval Nuclear Propulsion Program, which is a joint Navy-Department program responsible for the research, design, construction, operation and maintenance of U.S. nuclear-powered warships. During the period of February 1, 2009 through September 30, 2010, BMPC expended and claimed \$1,388,480,485.
- To help ensure only allowable costs are claimed by the Department's integrated contractors and make efficient use of available audit resources, the Office of Inspector General, the Department's Office of Procurement and Assistance Management, and contractors have implemented a Cooperative Audit Strategy. This strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Cooperative Audit Strategy, BMPC is required to maintain an internal audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs. In addition, BMPC is required to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor.
- The management structure of Naval Reactors facilities, BAPL in West Mifflin, Pennsylvania, and its sister site of KAPL in Schenectady, New York, is unique from other Department facilities. Specifically, Federal auditors employed by the Naval Reactors Laboratory Field Office (NRLFO), performed some functions normally conducted by the contractor's Internal Audit under the Cooperative Audit Strategy, such as the allowability of incurred cost audits.
- Based on our audit, nothing came to our attention to indicate the allowable cost related audit work performed by the NRLFO auditors and the BMPC's Internal Audit Group did not meet generally accepted Government auditing standards and Institute of Internal Auditors Standards respectively and could not be relied upon. In addition, BMPC had conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. Further, costs questioned in the allowable cost audits conducted by the NRLFO Audits Division and audits conducted by the BMPC Internal Audit Group have been adequately resolved. Specifically, NRLFO auditors identified approximately \$139,450 in questioned costs, all of which have been resolved. We identified no other audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for February 1, 2009 through September 30, 2010.

Team Leader:
AIC:
Staff:

(b)(6)

Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700, during Fiscal Years 2008 through 2010, November 3, 2011; OAS-V-12-02

- No material issues came to our attention to indicate that the allowable cost-related audit work performed by Bechtel Jacobs' Company LLC (Bechtel Jacobs) Internal Audit did not meet the Institute of Internal Auditors Standards and could not be relied upon. Further, Bechtel Jacobs did not conduct any audits of subcontractors where costs incurred were a factor in determining the amount payable to a subcontractor because there were no subcontracts requiring audit under its policy.
- We noted that Internal Audit performed an allowable cost audit for each of the Fiscal Years (FY) covered by the scope of our audit. The FYs 2008, 2009, and 2010 allowable cost audits identified \$1,658, \$2,403, and \$11,205 in questioned costs, respectively. Additionally, Internal Audit reported internal control weaknesses impacting the allowability of costs claimed in an audit of the "Purchase Card System (B-Card)", July 2009. All of the questioned costs and internal control weaknesses were resolved to the satisfaction of the Contracting Officer.

Team Leader:
Auditor-in-Charge:
Staff:

(b)(6)

Management Alert on "Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority," November 4, 2011, OAS-RA-12-01, (A10RA013)

- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department), Western Area Power Administration (Western) was granted \$3.25 billion in borrowing authority to help build transmission infrastructure. Western is permitted to use its borrowing authority in perpetuity and may request forgiveness, if necessary, for amounts outstanding at the end of the useful life of a project. To meet the Recovery Act's goals of promoting job creation and economic recovery, Western's Transmission Infrastructure Program (Program) first used its borrowing authority to execute a financing agreement with Montana Alberta Tie Ltd. and MATL LLP (jointly referred to as MATL) in October 2009, to construct a "shovel-ready" 214-mile transmission line between Great Falls, Montana, and Lethbridge, Alberta, Canada. The line is intended to provide interconnection for proposed wind power generation farms in Montana. The MATL companies, wholly owned subsidiaries of Tonbridge Power Inc., a Canadian transmission developer, contracted with an independent contractor to build the transmission line.
- Western financed \$161 million of the original \$213 million transmission project's estimated cost with \$52 million contributed from other sources, including non-federal loans. MATL's repayment of the Western loan is scheduled to commence after the project is operational and generating revenue.

■ Western had not implemented the necessary safeguards to ensure its commitment of funding was optimally protected. Specifically, Western had not initially required MATL to establish:

- An earned value management system to provide timely, integrated cost and schedule information to allow Western to adequately monitor the progress of the project. In February 2010, Western informed MATL that it expected the company to use earned value management to report integrated budget and schedule information. However, MATL continued to provide inadequate information until March 2011, or over a year later. While Western worked aggressively with MATL in an attempt to understand and ameliorate the impact of delays, in the absence of useful earned value management data, it was not optimally positioned to determine the extent of the delays and the potential for cost overruns; and,
- A risk-based management reserve to fund unanticipated cost overruns. In fact, MATL did not establish a reserve until nearly a year after the start of the project. Western officials reported that MATL's reserve would soon be depleted.

■ Western became aware of these issues and engaged in extensive discussions with MATL and other project stakeholders to get the project back on track. However, it had not completed a formal root cause analysis documenting the underlining reasons for project delays and a formal plan to ensure adequate internal controls are sufficient for this and future projects.

■ The results of our work indicated that Western's lack of lending experience contributed to the issues we identified. Further, although we did not confirm their assertions, certain Western officials indicated that they encountered pressure from the Department to spend Recovery Act funds expeditiously. We could not establish these assertions as a direct cause of the MATL situation. However, Western officials acknowledged that there are lessons learned from their first lending experience, including the need for earned value management and establishment of an adequate management reserve at the beginning of a project.

■ Western has significant financial exposure on the project, having permitted MATL to expend \$152 million of Western's committed funding of \$161 million on a project encountering significant delays and cost overruns. Since May 2011 the project has been at a standstill, is estimated to be two years behind schedule and may be as much as \$70 million over budget. After citing a lack of resources to cover project cost overruns, Tonbridge, MATL's parent company, was acquired by Enbridge Inc., in October 2011.

■ In addition to these project management issues, we also noted an impending gap in funding available to operate the Program. Existing funding will be depleted in Fiscal Year 2012, and revenues from MATL and other new projects will not be available to fund ongoing costs of the Program for several years. Western is exploring alternatives for providing Program funding.

■ We made four recommendations regarding Western's use of its Recovery Act borrowing authority. The Department concurred with the recommendations and indicated in its response that it was executing plans to address each of the issues identified.

Team Leader;
AIC:

(b)(6)

Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Report on "Cost Allowability for Savannah River Nuclear Solutions, LLC under Department of Energy Contract No. DE-AC09-08SR22470 during Fiscal Year 2009 ", November 8, 2011, (A10SR020)

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(b)(5)

(b)(5)

Team Leader:
AIC:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An exit conference was held on November 10, 2011 for the Audit of the Department of Energy's Nuclear Waste Fund's (Fund) Fiscal Year (FY) 2011 Financial Statements. The Fund's FY 2011 financial statements have an unqualified opinion. At the exit conference were representatives from the Office of Inspector General (OIG), Office of the General Counsel, Office of the Chief Financial Officer, and KPMG, LLP. In attendance from the OIG were (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

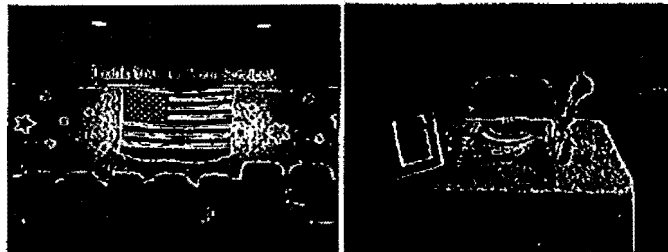
MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

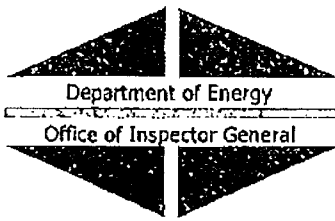
JOYS, CARES, CONCERNS:

- The Oak Ridge IG Office was proud to honor their veteran co-workers on November 9. The non-veterans in the office came together to provide the veterans with a delicious Veterans Day breakfast. Our patriotic setting included a POW/MIA presentation table to recognize missing service men and women and to remember their sacrifices. Veteran Angele Castiglia recounted a personal and touching story about reaching out to a MIA Marine's family. We want to thank all the veterans within the IG for their service as well as to those in the IG who have a loved one serving.



Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending November 25, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Coordination Draft Report on "*Waste Disposal and Recovery Act Efforts at the Oak Ridge Reservation*", November 21, 2011, (S10IS03)

■ Our inspection did not identify significant issues with the use of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. However, we noted that the Transuranic Waste Processing Center (TWPC) project, although initially thought to be "shovel-ready," encountered a number of obstacles in processing and disposing of Oak Ridge Reservation transuranic (TRU) waste. Because of technical problems, including ground water infiltration in storage casks, the TWPC project was behind schedule and at risk of not achieving its accelerated waste disposal goals.

■ In response, Department officials initiated a number of program changes designed to ensure that new, realistic TRU waste processing goals are developed and achieved. Although Oak Ridge Office (ORO) had achieved some success in TRU waste processing, officials acknowledged that more needs to be done to address the obstacles encountered and meet established goals for processing and disposing of contact handled and remote handled TRU waste. Obstacles encountered after contract award to Westren included significant ground water infiltration of waste storage casks, high neutron levels, waste manipulator failures and storage and shipping disposal delays. To address the problems encountered, ORO has adopted a new approach and schedule for completing necessary TRU waste processing and disposal activities.

Lead Inspector: (b)(6)

Coordination Draft Report on "*Alleged Misuse of American Recovery and Reinvestment Act Grant Funds by the Western Arizona Council of Governments*", November 21, 2011, (WACOG).

■ In 2009, the Department awarded a 3-year Weatherization Assistance Program (Weatherization Program) grant for approximately \$57 million to the State of Arizona (Arizona). Arizona's Office of Energy administers the grant funds through 10 sub-grantees who are responsible for conducting weatherization activities in designated regions throughout the State.

- Arizona awarded one sub-grantee, the Western Arizona Council of Governments (WACOG), approximately \$5.9 million of the Department's America Recovery Act and Reinvestment Act of 2009 (Recovery Act) grant funds to weatherize homes in western Arizona. WACOG is a non-profit governmental association of local Arizona governments that provides a number of community services under various Federally funded programs. In response to a complaint alleging a pattern of wasteful spending of weatherization funds and mismanagement of the Weatherization Program at WACOG, the Office of Inspector General initiated this inspection. The inspection objective was to determine whether the Weatherization Program funds were used and administered for intended purposes and whether WACOG complied with relevant Federal and State regulations and program guidelines.
- We were unable to substantiate the allegations that WACOG engaged in a pattern of wasteful spending or that it mismanaged the Weatherization Program. We did, however, observe several issues related to procurement and the accuracy of Recovery Act reporting that should be addressed. Specifically, we observed that:
 - WACOG expended approximately \$133,000 for building improvements, office furnishings, software upgrades and a telephone system without obtaining required approvals from Arizona;
 - Contrary to Federal procurement policy, WACOG's purchase records did not always contain documentation showing evidence that a cost or price analysis was performed to determine if the best value was obtained. Also, WACOG's purchase policy of requiring price quotes based on a cost per unit threshold rather than an aggregate cost of the total purchase was not consistent with Arizona and Federal procurement policy;
 - Neither WACOG nor Arizona accurately reported completed housing units. WACOG reported 525 completed housing units, but 40, or 7.6 percent, were termed "walkaways" where only initial energy audits were conducted with no weatherization work actually performed. At the State level, Arizona reported 4,365 completed housing units, but 242, or approximately 5.5 percent, had only received the initial energy audit; and,
 - WACOG had not always provided Arizona with accurate information regarding work performed on completed weatherized houses. Our review of a sample of 50 completed housing units revealed that 60 percent of WACOG's entries into the State's weatherization database were inaccurate with regard to the actual work performed on the homes or the costs allocated to various funding sources.
- The weaknesses we identified occurred, in part, because of a lack of understanding and execution of Federal grant requirements, Department Weatherization Program policy and Arizona Weatherization Program requirements. As a result, evidence that goods and services were procured at a reasonable and fair market price was lacking, raising a question about whether the purchased items were acquired at a fair and reasonable price. In addition, weatherization information was not always accurately reported to Arizona and the Department. Management concurred with our tentative findings and recommendations in comments to a coordination draft version of this report (SI IIS005).

Lead Inspector:

(b)(6)

Assist:

Draft Report on "The Management of Post-Recovery Act Workforce Transition at Office of Environmental Management Sites", November 23, 2011, (A11RA024)

- The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to stimulate the economy, preserve and create jobs, and invest in environmental protection and other infrastructure that will provide long-term economic benefits. The Department of Energy's (Department) Office of Environmental Management (EM) received \$6 billion under the Recovery Act to promote economic recovery through job creation and retention, while accelerating environmental cleanup activities across EM sites. The Department estimates that with the end of Recovery Act funding and other known budget reductions, as many as 4,450 Recovery Act and base program workers at EM sites will be displaced by the end of 2011.
- We initiated this audit to determine whether the Department had developed and was properly executing an effective plan to transition its environmental remediation contractor workforce to a post-Recovery Act posture.
- Our review at the two EM sites established that the Department had developed plans to transition its workforce as Recovery Act funds were completely expended. These facility contractor-developed plans were approved by Federal officials and, for the most part, complied with existing guidance. Our review of Recovery Act hiring practices at the two EM sites disclosed that, to the extent possible, both sites took measures to control future separation costs in expectation that the workforce would be reduced at the completion of the Recovery Act projects. (b)(5)
(b)(5)
- We found, however, that the transition approach adopted at the Savannah River Site (Savannah River) has resulted in unnecessary payments of nearly \$7.7 million. The Savannah River approach, if adopted elsewhere or perceived as establishing precedent, could also materially impact upcoming restructuring efforts at other facilities.
- Inconsistent application of the workforce notification or payments in lieu of notification requirement occurred because sites did not receive formal guidance from Headquarters on implementation. Specifically, an EM official told us that no overarching guidance was provided to sites; instead, site contractors were allowed to decide whether to provide notice or pay in lieu of notice.
- Unnecessary workforce transition costs reduce the amount of funds available for mission related cleanup activities at EM sites. The Department permitted SRNS, as of September 2011, to make payments in lieu of notice totaling nearly \$7.7 million to 526 employees that involuntarily separated. These payments were not specifically required by the WARN Act, and were not adequately justified based on perceived risk.
- We made recommendations to the Acting Assistant Secretary for EM, designed to ensure correct and consistent application of notification and/or payment in lieu of notification across Departmental sites.

Team Leader: (b)(6)
AIC: (b)(6)
Staff: (b)(6)

Draft Special Report on "*Lessons Learned at the Department of Energy during the Implementation of the American Recovery and Reinvestment Act of 2009*," November 23, 2011, (A11RA055)

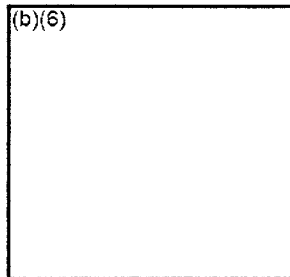
■ The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009 as a way to jumpstart the U.S. economy, create or save millions of jobs, spur technological advances in science and health, and invest in the Nation's energy future. As part of the Recovery Act, the Department of Energy (Department) received more than \$35 billion to support a number of science, energy, and environmental initiatives. In addition, the Department's authority to make or guarantee energy-related loans increased to as much as (b)(5). The twin goals of rapidly deploying funding and ensuring that the funds were expended efficiently and effectively created a number of challenges for the Department that strained resources. To help capture and leverage the lessons learned during the intensive ramp-up and execution of Recovery Act funded efforts, we prepared this report to highlight a number of beneficial practices we identified during the course of our work over nearly three years.

■ The Department, with an unprecedented "all hands on deck" organizational approach, made a concerted effort to implement and execute programs designed to meet the goals and objectives of the Recovery Act. As might be expected in an effort as complex as the one necessary for the Recovery Act, certain of its actions did not initially achieve their intended result. Based on the Departmental successes and failures observed during our work, we identified and are presenting in this report a number of lessons learned in the areas of risk management; financial management and accounting and reporting; human capital management; regulatory compliance; and, delivery of public services, which we believe can benefit the Department in the future.

■ Our reviews confirmed that the Department had taken a number of significant actions to carry out its programs to meet the goals and objectives of the Recovery Act. Programs also had initiated many actions to deliver services to the public, ranging from improving the energy efficiency of thousands of households to installing smart meters in various parts of the country to help improve the public's ability to manage electricity usage. Many of the activities carried out by the Department were the result of proactive efforts on the part of program offices. Yet, various other actions and program enhancements occurred in response to issues identified during our reviews.

■ In our view, the Recovery Act and its implementation and execution by the Department should be used as a teachable moment to both inform and aid in the on-going transition to a post-Recovery Act environment. Many of the issues raised in this report can be utilized by all programs and sites to enhance operational effectiveness.

Assistant Director:
Staff:



DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

The Department of Energy's Nuclear Waste Fund's Fiscal Year 2011 Financial Statement Audit, OAS-FS-12-03, November 21, 2011, (A11FN008)

- This report presents the results of the independent certified public accountants' audit of the Department of Energy's Nuclear Waste Fund's Fiscal Year 2011 and 2010 financial statements. KPMG concluded that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. KPMG noted no matters involving the internal control structure and its operation that they considered to be material weaknesses. The results of KPMG's tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that were required to be reported.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- Headquarters 2011 Annual Security Refresher Briefing must be complete by December 9, 2011.
-

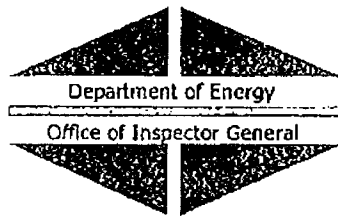
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending December 2, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Special Report on *"Inquiry on the Office of the Chief Financial Officer's Information Technology Expenditures"* OAS-RA-L-12-01, November 28, 2011 (A11RA036)

■ On April 13, 2011, the Office of Inspector General (OIG) received a complaint through the OIG Hotline alleging the waste of appropriated Fiscal Year 2010 and American Recovery and Reinvestment Act of 2009 (Recovery Act) funds by senior officials within the Office of the Chief Financial Officer. In particular, the complainant stated that the Office of Program Analysis and Evaluation (PA&E) had mismanaged over \$6 million worth of software contracts and related user licenses.

■ Our review did not identify material issues or sufficient evidence to support the allegations concerning PA&E's management of software contracts and licenses. However, we did find that the software in question was costly and, that in some cases, it was not as useful or productive as expected. We also identified areas where the Department of Energy (Department) could improve its efforts to plan for and acquire software. Specifically, we noted that:

- The Market Allocation Modeling Effort software was utilized by PA&E as one component of the budget process to better inform officials that make budget resource allocation decisions. While PA&E was able to provide documentation for approximately \$530,000 in software and contractor support cost since the beginning of 2010, the costs did not include Federal labor that was expended on implementation of the project;
- The Multi-Attribute Decision Model (MADA) project was established in July 2009, by PA&E to support decisions related to resource allocation and to analytically justify the Department's budget submission to Congress. We found that expenditures for MADA totaled approximately \$785,000 in software and contractor support costs;
- In 2009, PA&E requested that the Office of the Chief Information Officer purchase SharePoint licenses using Recovery Act funds, but had not conducted an evaluation to support the initial selection. While the Department's iPortal system did not have adequate capability at that time, numerous modifications have since been made, and the system currently has capabilities that duplicate those offered through SharePoint; and,
- We did not substantiate allegations that the Department spent \$1 million to acquire the Performance Manager Module (PMM), or that it provided little additional benefit. In particular, we found that the Department did not pay any acquisition costs for PMM as

it was provided by the Department of Treasury through a Memorandum of Understanding. We determined that annual expenditures for maintenance of PMM ranged between \$98,000 and \$135,000.

- ☛ To assist with its ongoing efforts, we made several suggestions to help increase the overall efficiency of the Department.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Inspection Report on "*Protection of Federal Sensitive Unclassified Information and Property Accountability Under the Cooperative Agreement with the Incorporated County of Los Alamos*," November 23, 2011 (S11IS004)

- ☛ In December 2010, the Office of Inspector General received a complaint alleging that (U.S.) Government property, including computers, was missing from the Fire Department. During our initial evaluation of this complaint, we also became aware that Sensitive Unclassified Information provided to the Fire Department by County of Los Alamos (County) may not have been adequately protected. Therefore, we initiated this inspection to determine if the County was adequately protecting Sensitive Unclassified Information in its possession and if the County was effectively managing Federally-owned personal property under the Cooperative Agreement with the National Nuclear Security Administration (NNSA).
- ☛ We could not determine with certainty that the Fire Department was adequately protecting Sensitive Unclassified Information in its possession. Specifically, we found that although Federal officials were aware of cyber security weaknesses related to the protection of Sensitive Unclassified Information provided to the County, and in spite of specific suggestions to do so, the Los Alamos Site Office did not require the Fire Department to strengthen protective measures.
- ☛ In addition, we substantiated the allegation that property, including computers, was missing and found that despite Department of Energy of energy requirements, effective processes and procedures were not in place to ensure the proper control and accountability of Federally-owned personal property in possession of the Fire Department. Specifically, we found that the Fire Department did not:
 - Report lost or stolen items to Los Alamos, as required. A 2010 inventory revealed that, among other property, 9 computers, 4 cameras, a video projector and 40 radios were missing. However, these missing items were never reported, specifically investigated, and actions were not taken to determine financial responsibility;
 - Maintain an up-to-date listing of all Federally-owned personal property in the

custody of the County; and,

- Always properly identify Federally-owned personal property at the time of acquisition or ensure the proper disposal of excess property.
- These weaknesses occurred, in part, because NNSA did not ensure that all requisite provisions for cyber security were incorporated into the Cooperative Agreement. Also, the Site Office did not ensure that the property management provisions, which were part of the Cooperative Agreement, had been effectively implemented.
- In addition, the County did not manage its Federally-owned personal property in a manner consistent with the requirements of the Cooperative Agreement. The Fire Department also did not always implement County directives designed to ensure the proper control and accountability of Federally-owned personal property in its possession.
- As a consequence, these weaknesses created an environment where Sensitive Unclassified Information provided to the County could be subject to loss or compromise, and Federally-owned personal property could be subject to misuse, theft or misappropriation.
- To address these issues, we made recommendations to establish requirements in the Cooperative Agreement to address the protection of Sensitive Unclassified Information. In addition, we made recommendations designed to help improve the control and accountability of Federally-owned personal property in possession of the County.
- During this inspection, we identified other matters relating to the misuse of Federally-owned personal property and the resolution of questioned costs. To address these issues, we made suggestions to ensure the proper use of Federally-owned personal property and the timely resolution of questioned costs.

Lead Inspector: (b)(6)
Team Leader: (b)(6)
Assist: (b)(6)

Official Coordination Draft Inspection Report on *"Follow-Up Review of Control and Accountability of the Emergency Communication Network Equipment,"* December 1, 2011
(S11IS007)

- Our inspection revealed that Department of Energy (Department) and State of Nevada officials have taken positive steps in response to recommendations in our 2004 report to improve Emergency Communication Network (ECN) property control and accountability. Specifically, they have:
- Inventoried and reconciled ECN property and combined the property into a single property system to strengthen control and accountability,
 - Developed procedures to enhance property management,
 - Strengthened the contractor's process and procedures for conducting required annual ECN property inventories,

- Developed procedures to supplement departmental guidance for loan of ECN equipment; and
- Evaluated and amended Headquarters procedures to address property management systems and processes.

☒ (b)(5)

☒ Given that Department and Nevada officials have generally addressed the prior inspection report recommendations, and that steps and procedures have been instituted to continually improve current operations, we are making no recommendations.

Lead Inspector: (b)(6)

Team Leader: (b)(6)

Assist: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

☒ An entrance conference was held on November 29, 2011, to discuss the audit of *The Department's Cyber Security Incident Management Program (A12TG004)*. Present, at the entrance conference were representatives from the Offices of the Chief Information Officer; Health, Safety and Security; Science; Environmental Management; Intelligence and Counterintelligence; and, the National Nuclear Security Administration. The purpose of the audit is to determine whether the Department of Energy developed and deployed an effective enterprise-wide cyber security incident management program. In attendance from the Office of Inspector General were (b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- Headquarters 2011 Annual Security Refresher Briefing must be complete by December 9, 2011.
-

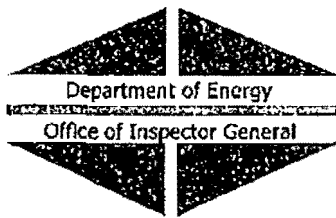
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

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Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
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Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending December 9, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on "*The Department's Implementation of Homeland Security Presidential Directive 12*," December 5, 2011 (A11TG032)

- Homeland Security Presidential Directive 12 (HSPD-12), Policies for a Common Identification Standard for Federal Employees and Contractors, was established in August 2004 to enhance national security and mandated the use of a Government-wide standard for secure and reliable forms of identification for Federal employees and contractors. The Department of Energy (Department) initiated its HSPD-12 efforts in 2004 and has spent more than \$15 million, most of which was dedicated to issuance and maintenance of badges. However, recent guidance issued by the Office of Management and Budget (OMB) directed that Federal agencies should have physical and logical access controls fully installed and required that policy be issued by each agency to ensure all new systems under development be enabled to use HSPD-12 credentials. In light of the updated OMB requirements, we initiated this audit to determine whether the Department implemented physical and logical access controls in accordance with HSPD-12.
- Despite 7 years of effort and expenditures of more than \$15 million, the Department had yet to meet all HSPD-12 requirements. In particular, the Department had not fully implemented physical and logical access controls in accordance with HSPD-12. Furthermore, the Department had not issued HSPD-12 credentials to many uncleared contractors at its field sites. Specifically, none of the 5 field sites reviewed had fully implemented physical access controls in accordance with HSPD-12 for the more than 40,000 employees requiring access to those facilities; the Department had made progress for utilizing the HSPD-12 credential to authenticate user access to information systems, however, additional work was needed; and, contrary to the goals and requirements of the directive, four of the five field sites we reviewed did not provide HSPD-12 credentials to contractors that did not hold a security clearance.
- The issues identified were due to the lack of a coordinated approach among programs and sites related to implementation of HSPD-12 requirements. In particular, we found that leadership and guidance provided by management was fragmented and not adequate to

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- Headquarters 2011 Annual Security Refresher Briefing must be complete by December 9, 2011.
-

ACTION ITEM REPORTS ATTACHED:

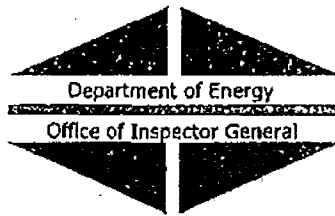
OTHER MATTERS:

JOYS, CARES, CONCERNS:

A retirement luncheon honoring Kathy Brogan was held on December 7, 2011. Over 40 IG employees, IG retirees, former IG employees, and friends and family celebrated Kathy's 19 years of federal service. Guests included Larry Ackerly, Mike Shannon, Bob Laney, and Kathy's daughter and son-in-law. Kathy will be retiring December 30, 2011, but you may not see her around here after December 22, 2011. We wish Kathy the very best!!

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Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending December 30, 2011

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2011, OAS-FS-12-04, December 21, 2011, (A11FN006).

- In support of the Fiscal Year (FY) 2011 audit of the Department of Energy's (Department) consolidated balance sheet, KPMG LLP (KPMG) performed a review of selected information technology general and application controls for financial systems. Additionally, KPMG and Office of Inspector General (OIG) auditors reviewed the Department's cyber security policies and procedures and tested certain controls for business-essential non-financial systems, as required by the *Federal Information Security Management Act of 2002* (FISMA). KPMG and OIG auditors also followed up on the extent of corrective actions taken on cyber security weaknesses identified in 2010. The tests of both financial and non-financial applications included vulnerability and penetration testing of the Department's networks and systems at select locations.
- The FY 2011 Information Technology Management Letter (which was Official Use Only) contains 32 new findings and 24 repeat findings of network and information systems security control weaknesses identified during the course of the audit. These weaknesses represent a significant deficiency in unclassified network and information systems security. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles. However, we did not consider the security weaknesses identified to rise to the level of a

material weakness. Program Office and National Nuclear Security Administration management, as well as management officials at the sites evaluated, were provided with detailed information regarding weaknesses and recommendations for corrective action.

- Due to security concerns, this report has been marked "Official Use Only" and thus its contents should not be disseminated outside the OIG.

Technical Monitor:
Team Leader:
AIC:
Staff:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

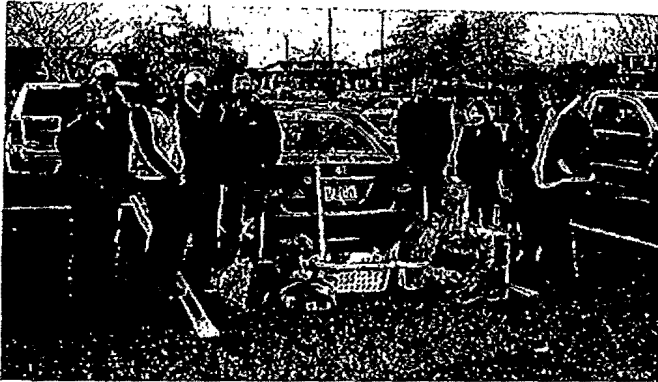
MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

On Friday, December 16, 2011, the Germantown Audit Group came together to help two local families in need celebrate the holidays. The families were chosen through the Montgomery County Holiday Giving Project and the Germantown HELP organization, which provides emergency assistance to neighbors in crisis. With the Germantown Audit Group's generous contributions, they were able to provide food and presents to six individuals who did not have the means to celebrate this holiday season. Some of the gifts included clothes, gift cards, toys, and a Nintendo DS, which put a smile on Elijah's face. A special thanks to Kim Tribou, Erin Simpson, and Ryan Cocolin for organizing the day and delivering the packages to the families.

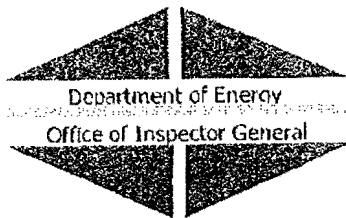


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Deputy Inspector General for Investigations
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Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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Assistant Division Directors
Team Leaders

Document Number 6

Document Number 6



WEEKLY ACTIVITY REPORT

Ending January 7, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

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

On December 29, 2010, the owner and an employee of a metal recycling business, with no affiliation to the Department, pled guilty in U.S. District Court, Eastern District of Washington, to seven counts of structuring financial transactions to avoid reporting requirements and one count of conspiracy to commit structuring. The investigation determined that the individuals knowingly purchased stolen recyclable metals, including metal from the Bonneville Power Administration, and subsequently improperly structured cash withdrawals from the proceeds to avoid filing currency transaction reports. As part of the plea, the individuals agreed to forfeit assets, including currency, financial instruments, real estate and vehicles, exceeding \$1.5 million. This is a joint investigation with the (b)(7)(A)

(b)(7)(A)

State and local law enforcement. (I10RL004: (b)(6),(b)(7)(C)

2. Former Los Alamos National Laboratory (Los Alamos) Subcontractor Employees Suspended

On December 28, 2010, in response to an Investigative Report to Management (IRM), the Director of the National Nuclear Security Administration's, Office of Acquisition and Supply Management, suspended and proposed the debarment of four former Los Alamos subcontractor employees from doing business with the Federal Government for a period of up to 3 years. As reported previously, the investigation determined that while employed at Los Alamos the four former subcontractor employees stole 5,253 pounds of specialized copper wire and sold it for their own personal gain. (I07AL006: (b)(6),(b)(7)(C)

3. Search Warrant Executed in Distribution of Child Pornography Investigation

(b)(7)(A)

(b)(7)(A)

(b)(7)(A) (I10IF005: (b)(6), (b)(7)(C)

4. Restitution Paid by Former Department Subcontractor

On December 23, 2010, the Department's Savannah River Site Office reported receipt of \$22,561 in voluntary restitution from a former Department subcontractor employee. The payment was made as part of a pre-trial diversion consideration request by the former subcontractor employee. As previously reported, a Federal Grand Jury in the District of South Carolina indicted the former subcontractor on one count of theft of public funds and four counts of false statements. The investigation determined the former subcontractor employee falsified per diem certification forms in order to receive \$22,561 in American Recovery and Reinvestment Act funded per diem payments the former subcontractor employee was not entitled. (I10SR010: (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

5. Former Weatherization Assistance Program (WAP) Contractor's Affiliated Companies Suspended

On December 30, 2010, in response to an IRM, the Office of Procurement and Assistance Management suspended and proposed the debarment of a former WAP contractor's two affiliated companies from doing business with the Federal Government for a period of up to 3 years. As previously reported, the investigation determined the former contractor billed for and received payment in excess of \$37,000 in WAP materials and labor (b)(6), (b)(7)(C) never provided. The contractor was indicted and has pled guilty in Federal District Court for the Southern District of Alabama.

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

6. Savannah River Nuclear Solutions (SRNS) Subcontractor Employee Terminated

On January 3, 2011, the OIG was informed that on December 27, 2010, SRNS terminated the employment of a subcontractor employee. The OIG investigation determined that the former subcontractor employee received \$13,510 of per diem benefits for which they was not entitled. The former subcontractor employee received per diem benefits by purporting to incur expenses for a residence owned by

(b)(6), (b)(7)(C)

(b) parents. (I10SR014: (b)(6), (b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	39	39	43	37	32	28	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	0	2
TCS Fraud Case Support:							16
TOTAL:	42	42	47	37	36	28	28
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	2	0	0	0	0	0	0
Ratio:	6:1	10:1	9:1	6:1	5:1	5:1	7:1
Agents Assigned:	7	4	5	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	0	1	0	0	0

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 01/07/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
1	3	0	0	4
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	0	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- (b)(6),(b)(7)(C) • Region 1 — On December 8, 2010, [REDACTED] National Science Foundation-OIG conducted a briefing at the Small Business Innovation Research (SBIR) Investigations Working Group at the National Aeronautics and Space Administration's (NASA) Goddard Space Flight Center in Greenbelt, MD.
- (b)(6),(b)(7)(C) NASA-OIG [REDACTED] a member of the working group, sponsored the 2 day SBIR and Small Business Technology Transfer Research training program for NASA-OIG agents and program staff.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Congratulations to [redacted] for earning the Driving Award while attending FLETC's Criminal Investigator Training Program. [redacted] graduated from the (b)(6),(b)(7)(C) program on December 29, 2010.

ACTION ITEM REPORTS ATTACHED

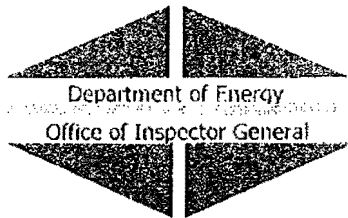
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- (b)(6),(b)(7)(C) • Investigations Manual – The DOE OIG Investigations Manual – Release 4.0 and Updates to the Investigations Manual have been added to the DOE OIG Intranet. DOE OIG employees can access this material by logging on to the DOE OIG Intranet at <https://igcomm.doe.gov/>. The manual and updates can be found under Policy/Investigations/Investigations Manual. If you do not have an active username and/or password for the DOE OIG Intranet, please contact [redacted] (b)(6),(b)(7)(C)
- (b)(6),(b)(7)(C) [redacted]

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Deputy Inspector General for Audit Services
Assistant Inspector General for Performance Audits
Assistant Inspector General for Inspections and Special Inquiries
Assistant Inspector General for Resource Management
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 14, 2011

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SIGNIFICANT ACTIVITY

1. Former Los Alamos National Laboratory (Los Alamos) Contractor Employee Sentenced

On January 11, 2011, in the U.S. District Court of New Mexico, Albuquerque, NM, a former Los Alamos contractor employee was sentenced to 3 years probation and was ordered to pay \$15,363 restitution to the Department and a \$100 fine to the court. As previously reported, the investigation determined that while employed as a timekeeper at Los Alamos, the former contractor employee fraudulently entered 300 hours into the Los Alamos payroll system resulting in the former contractor employee receiving payment for hours that were not worked. (I08AL012; [REDACTED])

(b)(6).(b)(7)(C)

2. Former Department Employee Enters Pre-Trial Diversion and Agrees to Restitution

On December 27, 2010, a former Department employee at the Bonneville Power Administration (BPA) entered into an 18-month pre-trial diversion agreement with the U.S. Attorney's Office for the District of Oregon and agreed to pay restitution. The joint investigation with the Federal Bureau of Investigation determined that between July 2007 and August 2008 the former employee received payment for business trips the former employee never took. (I09RL002; [REDACTED])

(b)(6).(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	38	40	43	37	32	29	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	0	2
TCS Fraud Case Support:							16
TOTAL:	41	43	47	37	36	29	28
Cases Opened:	0	0	0	0	1	3	0
Cases Closed:	0	0	0	0	1	1	0
Ratio:	5:1	10:1	7:1	6:1	5:1	5:1	7:1
Agents Assigned:	7	4	6	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	1	3	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 34
Total Hotline Complaints Predicated: 10
Total Referral Letters Issued: 1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 01/14/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	4	0	0	4
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	0	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Today is [redacted] last day with the OIG. We thank
(b)(6),(b)(7)(C) [redacted] for [redacted] 10 years of dedicated work to the Department and wish [redacted] well in [redacted] (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) new position at FinCEN [redacted] will be missed!

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

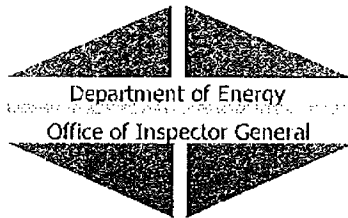
- **DOE OIG Telework Policy:** The DOE OIG telework policy can be found on the IG Intranet at [https://igcomm.doe.gov/Chap_500_Sec_505 - Telework Policy.pdf](https://igcomm.doe.gov/Chap_500_Sec_505_-_Telework_Policy.pdf). The policy has been updated to reflect new guidance in light of the Telework Enhancement Act of 2010. The updated policy includes changes to the telework forms contained in Appendices A, B and C of the policy. **All Investigations employees that have current telework agreements must update their agreements, no later than January 31, 2011, using the revised forms.**

The updated guidance reflects the following changes:

- An employee's alternative worksite is the employee's primary residence;
- An employee scheduled to telework must work even if the Government is closed or administrative leave is granted; and
- Unscheduled telework, due to operating status changes, is only applicable to Washington, DC employees.

DISTRIBUTION

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 21, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. \$1.4M Redirected to Other Research

On January 13, 2011, the OIG learned the Department and the U.S. National Science Foundation (NSF) changed the scope of an NSF-funded research grant as a result of an OIG investigation. The OIG proactive investigation determined that the Department's Advanced Research Projects Agency-Energy (ARPA-E) and NSF each independently awarded overlapping scientific research grants to a private California company. By changing the scope of the NSF grant, ARPA-E and NSF prevented \$1.1M in Department Act funds and \$300K in NSF funds from being used on overlapping research. This is a joint investigation with the (b)(7)(A) A decision on criminal or civil action is pending. (I10LL020: [redacted] (b)(6),(b)(7)(C)

2. Indictment, Arrest, and Search of Department Grantee's Former Chief Financial Officer

During the period of January 13-15, 2011, the OIG arrested and searched the home of the former Chief Financial Officer (CFO) of a multi-state non-profit agency for wire fraud and money laundering. The multi-state non-profit agency is a recipient of Department grant and contract funds. The investigation determined that the former CFO stole in excess of \$425,000 from the non-profit agency over a 3 year period using various financial schemes. The former CFO was indicted on January 13, 2011. A trial is set for March 23, 2011. The investigation is ongoing. (I09OR009: (b)(6),(b)(7)(C) [redacted]

3. Department Contractor Employees Terminated

On January 12, 2011, two contractor employees were terminated from employment at the Pantex Plant pursuant to OIG investigative findings. (b)(7)(A) [redacted]

(b)(7)(A) [redacted]

(b)(7)(A) [redacted]

(I10AL014: [redacted]

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	38	40	43	37	31	29	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	5	0	2
TCS Fraud Case Support:							13
TOTAL:	41	43	47	37	36	29	25
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Ratio:	5:1	10:1	6:1	6:1	5:1	5:1	6:1
Agents Assigned:	7	4	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	0	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	28
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 01/21/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	4	0	0	4
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2010</u>	
0	0	0	0	

RECOVERY ACT EFFORTS

The Office of Investigations completed 4 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 6 – On January 19, 2011, [REDACTED] (b)(6),(b)(7)(C) conducted 2 briefings. On January 20, 2011, [REDACTED] (b)(6),(b)(7)(C) conducted 2 briefings. Approximately 108 DOE Hanford Site employees and DOE contractor and subcontractor employees involved in procurement and quality assurance activities attended the briefings.

OTHER MATTERS

- Special Agents-in-Charge, ASACs, and SAs are reminded to review the criteria for alerting Headquarters about significant case related events. The criteria can be found in Chapter 5, Section H.5 of the Investigations Manual.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Region 4 – Congratulations to [REDACTED] for earning the Driver Training Award and the Sharpshooter Award while attending the Federal Law Enforcement Training Center (FLETC), Criminal Investigator Training Program. [REDACTED] (b)(6),(b)(7)(C)
graduated from the program on January 12, 2011. Great job [REDACTED] (b)(6),(b)(7)(C)
- (b)(6),(b)(7)(C) • Region 3 – On January 18, 2011 [REDACTED] joined the OI team in Oak Ridge,
(b)(6),(b)(7)(C) TN. Please join us in welcoming [REDACTED] to the OIG Investigation's family.
- (b)(6),(b)(7)(C) • Region 3 – Congratulations to [REDACTED] for [REDACTED] graduation from FLETC's (b)(6),(b)(7)(C)
Criminal Investigator Training Program on January 19, 2011.

ACTION ITEM REPORTS ATTACHED

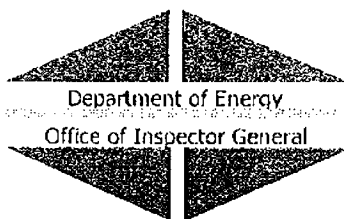
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 28, 2011

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued to the Manager of the Oak Ridge Office

On January 21, 2011, an IRM was issued to the Manager of the Oak Ridge Office recommending a review of the procurement process of the managing contractor at the Department's Oak Ridge National Laboratory, UT-Battelle. The OIG investigation determined that there was an appearance of a conflict of interest between a UT-Battelle Transportation Manager and the Vice President of a company that was awarded a UT-Battelle contract. Specifically, the Transportation Manager both recommended the company for solicitation and served on the evaluation board that selected it. (I10OR012: [REDACTED])

(b)(6).(b)(7)(C)

2. President of Former Department Subcontractor Sentenced

On January 24, 2011, the OIG learned that the U.S. District Court for the Central District of California sentenced the president of a former subcontractor at the Department's Nevada Site Office to 2 years probation and was ordered to pay a \$3,600 fine and a \$100 special assessment fee. As previously reported, the former subcontractor was indicted and pled guilty to 2 counts of making false statements. The investigation determined that \$120K worth of computers purchased by the Department were not made in the United States and were not laboratory certified, which is in violation of a Department contract. This was a joint investigation with the

(b)(7)(A)

(b)(7)(A)

(I08LV005:

(b)(6).(b)(7)(C)

3. Sentencing and Notice of Debarment in Purchase Card Fraud Investigation

On January 25, 2011, in U.S. District Court for the Eastern District of Washington, 2 former Hanford site contractor employees were sentenced to 4 months home confinement followed by 1 year probation and were ordered to pay a total of \$21,000 in restitution and \$1,000 in fines and special assessment fees for their role in

improperly purchasing personal items with a Government purchase card. Also on the same date, in response to a previously issued IRM regarding this case, the Director of the Office of Procurement and Assistance Management issued a notice of debarment to a former Department contractor employee. The investigation determined that the former contractor employee made 219 fraudulent Government funded purchase card transactions for numerous personal items totaling \$564,326.

(b)(6),(b)(7)(C)

(108RL008: [REDACTED])

4. Guilty Plea in Purchase Card Fraud Investigation

On January 24, 2011, in U.S. District Court, Eastern District of Washington, an individual with no Department affiliation pled guilty to conspiracy to commit wire fraud in connection with a purchase card fraud investigation. The investigation determined that a former Hanford Site contractor employee and the individual made an agreement to defraud the Federal Government. The former contractor employee used [REDACTED] Government-funded purchase card to place orders with the individual's supply company. That individual then funneled those orders to a company owned by the former contractor employee's [REDACTED]. The Department ultimately paid approximately \$700,000 for materials that could have been purchased for approximately \$300,000. This investigation is part of a larger civil fraud investigation against former Department prime contractors. (106RL002: [REDACTED])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

5. Former Los Alamos National Laboratory (Laboratory) Employee Suspended from Government Contracting

On January 19, 2011, in response to an IRM, the Director of the National Nuclear Security Administrations (NNSA), Office of Acquisition and Supply Management, suspended a former Laboratory employee from Government contracting. The investigation determined that while employed at the Laboratory, the individual attempted to steal irradiated gold from a Laboratory plutonium processing facility. As reported previously, the former employee pled guilty in U.S. District Court for the District of New Mexico and was sentenced to 366 days in prison and 3 years supervised probation. The IRM made 2 recommendations for corrective action. This is a joint investigation with the (b)(7)(A) [REDACTED] (109AL005: [REDACTED])

(b)(6),(b)(7)(C)

6. Former Los Alamos National Laboratory (Laboratory) Subcontract Employee and Two Private Citizens Suspended from Government Contracting

On January 19, 2011, in response to an IRM, the Director of the NNSA, Office of Acquisition and Supply Management, suspended a former Laboratory subcontractor employee and 2 private citizens not affiliated with the Department from Government contracting. The investigation determined that the 3 individuals conspired to steal and fraudulently use 2 GSA fuel credit cards. GSA holds the Laboratory responsible for all fraudulent costs incurred on the fuel credit cards. As previously reported, the former subcontractor employee and 1 private citizen were placed into the State of New Mexico's Pre-Prosecution Diversion Program. The other private citizen pled

guilty and was sentenced to 3 years probation. The 3 individuals were also required to pay restitution to the Department totaling \$1,550. This was a joint investigation with the (b)(6), (b)(7)(C) (b)(7)(A) (108AL004:)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	36	40	40	37	32	29	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	5	0	2
TCS Fraud Case Support:							17
TOTAL:	39	43	44	37	37	29	29
Cases Opened:	0	0	0	0	1	0	0
Cases Closed:	2	0	3	0	0	0	0
Ratio:	5:1	10:1	7:1	6:1	5:1	5:1	7:1
Agents Assigned:	7	4	6	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	2	1	0	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	26
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 01/28/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
3	4	0	0	7
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2010</u>	
0	0	0	0	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Reminder** – When opening a new case, SAs are reminded to visit the OIG website to identify and review any OIG audit and inspection reports that may be relevant to the case.

JOYS, CARES, CONCERNS

- Region 6 – On January 28, 2011, the Department OIG Richland Investigations Office and Richland Audit Group will host a retirement party for [REDACTED] (b)(6),(b)(7)(C) honoring [REDACTED] (b)(6),(b)(7)(C) for [REDACTED] (b)(6),(b)(7)(C) 36 years of dedicated Federal service and wishing [REDACTED] (b)(6),(b)(7)(C) well in [REDACTED] (b)(6),(b)(7)(C) retirement. [REDACTED] (b)(6),(b)(7)(C) last day in the office is Monday, January 31, 2011.

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Local Travel Vouchers** – In accordance with the *U.S. Department of Energy Travel Manual*, local travel claims will be reimbursed only for local mileage, parking, public transportation, taxicabs, and other expenses directly related to local travel claims. Reimbursement for expenditure of other funds must be filed in accordance with OI's *Reimbursement Policy and Procedures for Emergency Purchases (June 2010)*.

The Department's travel manual can be found at:
<https://www.directives.doe.gov/directives/current-directives/552.1-DManual-1a/>.

OI's Reimbursement Policy can be found on the OIG Intranet at:
https://igcomm.doe.gov/policy_218.cfm#UPDATES.

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All Office of Investigations Employees

WEEKLY ACTIVITY REPORT

Department of Energy

Office of Inspector General

Department of Energy
Office of Inspector General

Ending February 4, 2011

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SIGNIFICANT ACTIVITY

1. Monetary Recovery, Conviction and Indictments on Separate but Related Investigations

The OI has a number of investigations involving the improper payment of per diem by Savannah River Nuclear Solutions (SRNS). Many of these investigations involve American Recovery and Reinvestment Act (ARRA) funds.

On January 19, 2011, the OIG was notified that SRNS reduced its award fee by \$1.14 million to offset monies paid to ineligible per diem recipients. The recovery stemmed from 2 investigations that established SRNS paid per diem allowances to ineligible employees on multiple occasions. Approximately \$700,000 of the total recouped money is ARRA funds. This is the first DOE OIG monetary recovery on an investigation involving ARRA funds.

(b)(6),(b)(7)(C) (I11SR005: (b)(6),(b)(7)(C) & I11SR002: (b)(6),(b)(7)(C))

On January 26, 2011, in U.S. District Court for the District of South Carolina, a former SRNS employee pled guilty to one count of making false statements to receive ARRA funded per diem benefits while working at a Department site. As previously reported, the former employee was indicted for making false per diem eligibility certifications to fraudulently obtain approximately \$44,415 in Department funds. This is the first DOE OIG conviction of an investigation involving ARRA funds. (I10SR007: (b)(6),(b)(7)(C))

On February 2, 2011, as a result of two separate but related investigations, three former SRNS subcontractor employees were indicted in U.S. District Court for the District of South Carolina for theft of Government funds for fraudulently obtaining unauthorized per diem payments.

The first investigation determined a former subcontractor employee acted alone in submitting fraudulent documents in order to receive unauthorized per diem payments. Those per diem payments were funded with ARRA funds. The second investigation determined that two former subcontractor employees conspired and completed a scheme to submit fraudulent documents in order for one of the former subcontractor employees to receive per diem benefits. Those per diem payments were not funded by ARRA funds. (I10SR003 &

(b)(6),(b)(7)(C)

I10SR008: [REDACTED]

2. Civil Settlement Agreement in Investigation of False Claims and Defective Pricing

On January 28, 2011, the U.S. Department of Justice (DOJ) entered into a civil settlement agreement with an information technology original equipment manufacturer. The manufacturer agreed to pay \$46,000,000 to resolve multiple allegations, including that it paid vendors to influence Federal agencies to purchase its products in violation of the Anti-Kickback Act. The exact loss to the Department is still being calculated. This is an on-going joint investigation with the (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

I05AL005: [REDACTED]

(b)(6),(b)(7)(C)

3. Investigative Report to Management (IRM) issued to Manager of Office of Science-Chicago Office

On January 31, 2011, an IRM was issued to the Manager of the Department's Office of Science-Chicago Office recommending that the Department consider terminating a scientific research grant awarded to the University of California, Davis (UC Davis). The OIG investigation determined that a UC Davis professor received grants from the Department and U.S. National Science Foundation (NSF) to construct the same device and perform, in part, the same research. To date, the Department has obligated \$1,103,333 for this research grant. This joint investigation with the (b)(7)(A) is ongoing. (I10LL013: [REDACTED])

(b)(6),(b)(7)(C)

4. Former Department Subcontractor Employee Indicted and Arrested in Theft Investigation

On January 21, 2011, the OIG was notified that the Grand Jury in the 7th Judicial District of Tennessee, Anderson County, indicted a former subcontractor employee at the Y-12 National Security Complex (Y-12) for theft of Government property. The OIG, in conjunction with the Anderson County Sheriff's Department, arrested the former subcontractor employee. The OIG investigation determined that the former subcontractor employee stole approximately 1,400 pounds of copper wire from the Y-12 site and sold it at a local scrap yard for \$3,078.

(b)(6),(b)(7)(C)

(I10OR011: [REDACTED])

CASE INVENTORY

	Region __1__	Region __2__	Region __3__	Region __4__	Region __5__	Region __6__	TCS __
Open Cases:	36	41	39	37	32	31	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	5	0	2
TCS Fraud Case Support:							17
TOTAL:	39	44	43	37	37	31	29
Cases Opened:	01	1	0	0	1	2	0
Cases Closed:	0	0	1	0	1	0	0
Ratio:	5:1	11:1	6:1	6:1	5:1	6:1	7:1
Agents Assigned:	7	4	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	0	1	1	0	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 23
 Total Hotline Complaints Predicated: 14
 Total Referral Letters Issued: 1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 02/04/2011

With POFC Open	With RM POFC	In CIG	For Signature	Total
0 8 0 0 8				

Total Cases Closed Now Open in CY 2011	Cases Completed This Week	Cases Opened This Week	Total
0 0 0 1			

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

(b)(6),(b)(7)(C)

☐ Region 6 – On January 27, 2011, [redacted] provided a briefing in Cheyenne, Wyoming to four weatherization program managers for the State of Wyoming, Department of Family Services.

OTHER MATTERS

☐ **Reminder:** The sharing or transmittal of any case file documents to a non-Office of Investigations entity or person (e.g., prosecutor, assisting law enforcement agency, Department manager, etc.) must include a cover page or letter/memorandum that contains required disclosure warnings. This applies to originals and copies. This is discussed in further detail in two AIGI memoranda: "Change of Disclosure Advisements for Investigative Documents" issued on 11/5/2007 and "Change in Format for the Investigative Report to Management" issued on 3/26/2010. Both of these memos can be found on the IG intranet at

https://igcomm.doe.gov/policy_218.cfm under *UPDATES to Investigations Manual – Version 4.0*.

(b)(6),(b)(7)(C)

☐ Deputy Inspector General for Investigations (DIGI) John Hartman traveled to the Richland, WA Investigations field office on January 27 & 28, 2011. While in Richland, DIGI Hartman and [redacted] met with [redacted] for the DOE Office of River Protection, Richland, WA.

JOYS, CARES, CONCERNS

(b)(6),(b)(7)(C)

☐ On January 28, 2011, [redacted] was presented with the Secretary's Meritorious Service Departure Award in honor of 31 years of dedicated service to DOE OIG. The citation that accompanied the award read, in part, "As a result of [redacted] (b)(6),(b)(7)(C) commitment to detecting and preventing fraud, waste and abuse and [redacted] (b)(6),(b)(7)(C) dedication to [redacted] (b)(6),(b)(7)(C) mentoring employees at all levels of the organization [redacted] (b)(6),(b)(7)(C) is directly responsible for [redacted] (b)(6),(b)(7)(C) the success the organization has experienced over the last 30 years. [redacted] (b)(6),(b)(7)(C) last day with us was January 31, 2011 after a 31 year career with the OIG. [redacted] (b)(6),(b)(7)(C) will be missed!"

ACTION ITEM REPORTS ATTACHED

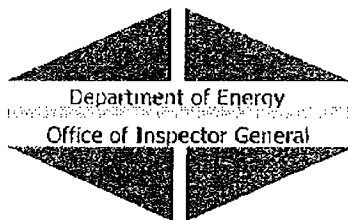
☐ None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

☐ **Mandatory Training** – All Office of Investigations employees (both supervisory and non-supervisory) must complete the ***Supervisory/Non-Supervisory Performance Management Course*** no later than February 28, 2011. Employees can access the course at <https://olc2.energy.gov>. When logged in to OLC², the Supervisory/Non-Supervisory Performance Management Program course will appear in the "New Items" section located at the bottom right side of the OLC² Welcome Page. Once employees have completed the course and received a test score of at least 80%, employees should print their training certificate.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending February 18, 2011

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SIGNIFICANT ACTIVITY

1. Settlement Agreement in Investigation of Defective Body Armor

On January 21, 2011, the U.S. Department of Justice (DOJ) entered into a settlement agreement with the importer of defective Zylon fiber used in bulletproof vests sold to the U.S. Government. The company agreed to pay \$1.5 million to resolve potential claims under the False Claims Act in connection with its importation and sale of defective Zylon fiber used as the key ballistic material in bulletproof vests. This part of the investigation focused on allegations that the company either knew of, or recklessly disregarded, the defective nature of Zylon and actively marketed and sold it to the U. S. body armor industry. This is an ongoing investigation by [REDACTED]

(b)(7)(A)

(b)(7)(A)

(104OR010: [REDACTED])

(b)(6), (b)(7)(C)

2. \$280K Returned to the Department for Improper Grant Award

On February 9, 2011, the Department's Advanced Research Projects Agency-Energy (ARPA-E) received repayment of approximately \$280,000 from a private California company for funds that were inappropriately awarded to the company for duplicative research. As previously reported, the OIG's proactive investigation determined the private California company solicited and received grants from ARPA-E, the Department's Office of Science and the U. S. National Science Foundation for duplicative research. Each of the three grants awarded to the private California company were funded by the American Reinvestment and Recovery Act (ARRA).

(b)(6), (b)(7)(C)

(110LL020: [REDACTED])

3. Pretrial Diversion Agreement Reached in Per Diem Investigation

On February 10, 2011, the U. S. Attorney's Office for the District of South Carolina notified the OIG that a Pretrial Diversion Agreement (agreement) was entered into between the Government and a former subcontractor employee. The agreement suspends the former contractor employee from any employment with the Department, its contractors, or at any Department owned site or facility for a period of 18 months. Additionally, the agreement requires the former subcontractor

employee indefinitely waive any rights to appeal any administrative suspension or debarment imposed by the Department. As previously reported, the former subcontractor employee was indicted on 1 count of theft of public funds and 4 counts of false statements and was ordered to make restitution in the amount of \$22,561 to the Department. The investigation determined the former subcontractor employee falsified 4 per diem certification forms in order to fraudulently receive \$22,561 in ARRA funded per diem payments. (110SR010: [REDACTED]) (b)(6),(b)(7)(C)

4. Former Contractor Employee Ordered to Repay \$150K in Connection with Purchase Card Fraud Scheme

On February 16, 2011, in U.S. District Court for the Eastern District of Washington, a former Hanford site contractor employee was sentenced to 3 months home confinement with electronic monitoring followed by 3 years probation and was ordered to pay \$150,000 in restitution. As previously reported, the OIG investigation determined that the former contractor employee conspired with an employee from a supply company to make purchases from the supply company using a Government-funded purchase card. In return for such orders, the supply company employee funneled those orders to a company owned by the former contractor employee's

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

[REDACTED] As a result of the scheme, the Department paid markups that exceeded 100% of the cost of the items. (106RL002: [REDACTED])

5. Investigative Report to Management (IRM) Issued in Purchase Card Fraud Investigation

On February 15, 2011, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of 2 former Hanford Site contractor employees. The investigation determined that the 2 former contractor employees solicited and received numerous personal items fraudulently purchased by a third former contractor employee using a Government purchase card. As previously reported, each of the former contractor employees was sentenced in U.S. District Court for the Eastern District of Washington to 4 months home confinement followed by 1 year probation and was ordered to pay a total of \$22,000 in restitution and fines. (108RL008: [REDACTED])

(b)(6),(b)(7)(C)

6. IRM Issued in Travel Fraud Investigation

On February 8, 2011, an IRM was issued to the Manager of the Idaho Operations Office (Idaho) regarding an investigation into travel fraud. The investigation determined that an Idaho Federal employee submitted a fraudulent travel voucher and receipts for reimbursements totaling \$2,086. The IRM made 2 recommendations for corrective action. This investigation is on-going.

(b)(6),(b)(7)(C)

(111F005: [REDACTED])

7. Search Warrant Executed in Hanford Patrol Theft Investigation

(b)(7)(A)

(b)(7)(A)

This is an

(b)(6),(b)(7)(C)

ongoing investigation. (I11RL004: [REDACTED])

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	36	41	41	38	32	29	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	5	0	2
TCS Fraud Case Support:							19
TOTAL:	39	43	45	38	37	30	31
Cases Opened:	0	2	1	1	0	0	0
Cases Closed:	0	3	0	0	1	1	0
Ratio:	6:1	10:1	6:1	6:1	5:1	6:1	7:1
Agents Assigned:	6	4	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	0	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	21
Total Hotline Complaints Predicated:	9
Total Referral Letters Issued:	2

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 02/18/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
1	6	1	0	8
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	4	

RECOVERY ACT EFFORTS

The Office of Investigations completed 2 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 1 – On February 16, 2011, [REDACTED] provided a briefing to the Baltimore City Inspector General and three staff members in Baltimore, MD.
- (b)(6),(b)(7)(C) • Region 4 – On February 8, 2011, [REDACTED] provided a briefing in Carlsbad, NM for Carlsbad Field Office personnel attended by the Acting Site Manager, Acting Deputy Site Manager, Legal Counsel and five contracting officers.

OTHER MATTERS

- **Reminder:** Investigative Reports to Management (IRMs) being sent to the Office of Procurement and Assistance Management (MA-60) with suspension and debarment recommendations must also be copied to the Assistant General Counsel for Procurement and Financial Assistance (GC-61).

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Region 3 [REDACTED] was a guest instructor for the Inspector General Criminal Investigator Academy's January 2011 Transitional Training Program class.
- (b)(6),(b)(7)(C) • Thank you to [REDACTED] for providing invaluable instruction to new OIG community agents.

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **SF-182's** – An SF-182 is sent to an employee by the OIG's Office of Management and Administration for each training request entered into CHRIS. In those cases in which there is a cost associated with the training, employees must provide the SF-182 to the vendor responsible for the training in order to finalize the registration process with the vendor. The requirement to provide the training vendor with a copy of the SF-182 does not apply to FLETC and IG Academy training courses. In those cases in which there is not a cost associated with the training, the employee does not need to take any action with the SF-182.

Mandatory Training – This is a reminder that all Office of Investigations employees must complete the *Supervisory/Non-Supervisory Performance Management* course no later than February 28, 2011. Employees can access the course at <https://olc2.energy.gov>. When logged in to OLC², the *Supervisory/Non-Supervisory Performance Management* course will appear in the "New Items" section located at the bottom right side of the OLC² Welcome Page. Once employees have completed the course and received a test score of at least 80%, employees should print their training certificate. Employees must enter this course into CHRIS.

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All Office of Investigations Employees

WEEKLY ACTIVITY REPORT

Department of Energy

Office of Inspector General

Department of Energy
Office of Inspector General

Ending February 25, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Response to Investigative Report to Management (IRM) on Conflict of Interest Investigation

On February 17, 2011, in response to an IRM, the Manager of the Oak Ridge Office completed a review of the procurement process of the managing contractor at the Department's Oak Ridge National Laboratory, University of Tennessee - Battelle (UT-Battelle). As previously reported, an OIG investigation determined there was an appearance of a conflict of interest between a UT-Battelle transportation manager and the vice president of a company who received a UT-Battelle contract. UT-Battelle implemented the IRM recommendation and incorporated new language into their confidentiality agreement requiring disclosure of personal relationships. (10OR012: [REDACTED])

(b)(6),(b)(7)(C)

2. IRM Issued in Per Diem Fraud Investigation

On February 18, 2011, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a former Department subcontractor employee. As previously reported, the former subcontractor employee was indicted on 1 count of theft of public funds and 4 counts of false statements. (b)(6),(b)(7)(C) made restitution in the amount of \$22,561 to the Department and entered into a Pretrial Diversion Agreement. The investigation determined the former subcontractor employee falsified 4 per diem certification forms in order to receive \$22,561 in ineligible American Recovery and Reinvestment Act funded per diem payments. (10SR010: [REDACTED]) (b)(6),(b)(7)(C)

3. Former Department Subcontractor Employee Sentenced

On February 17, 2011, in Superior Court for the State of Washington, Benton County, a former Department subcontractor employee was sentenced to 12 months incarceration followed by 36 months probation and was ordered to pay \$800 in fines and penalties. The joint investigation with the Richland Police Department determined that over the course of more than a year, the former subcontractor employee had inappropriate communications with a 14-year-old [redacted] via [redacted] e-mail and [redacted] (b)(6),(b)(7)(C)

instant messaging and possessed depictions of minors engaged in sexually explicit conduct. Initially, it was alleged that the former Department subcontractor employee may have had these communications with a minor during work hours and possibly on a Government computer. Those allegations were not validated. (I10RL001: [redacted] (b)(6),(b)(7)(C)

CASE INVENTORY

	Region __1__	Region __2__	Region __3__	Region __4__	Region __5__	Region __6__	TCS
Open Cases:	36	41	41	38	30	29	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	5	0	2
TCS Fraud Case Support:							18
TOTAL:	39	43	45	38	35	30	30
Cases Opened:	0	2	0	0	0	0	0
Cases Closed:	0	2	0	0	1	0	0
Ratio:	6:1	10:1	6:1	6:1	5:1	6:1	7:1
Agents Assigned:	6	4	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	1	0	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 31
Total Hotline Complaints Predicated: 9
Total Referral Letters Issued: 7

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 02/25/2011

With POFC Open	With RM POFC	In CIG	For Signature	Total
2	6	1	0	9

Total Cases Closed Now Open in CY 2011	Cases Completed This Week	Cases Opened This Week	Total
0 0 0 4			

RECOVERY ACT EFFORTS

☐ None

OTHER MATTERS

☐ All SACs and ASACs are reminded to begin performing quality assurance reviews of all statistics entered into EIGPT between October 1, 2010 and March 31, 2011. Executive briefs must accurately reflect validated statistics in EIGPT. The statistics and executive briefs will be used to prepare the next Semiannual Report to Congress.

JOYS, CARES, CONCERNS

☐ None

ACTION ITEM REPORTS ATTACHED

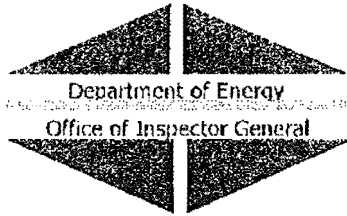
☐ None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

☐ **Mandatory Training** – This is a reminder that all Office of Investigations employees must complete the *Supervisory/Non-Supervisory Performance Management* course no later than February 28, 2011. Employees can access the course at <https://olc2.energy.gov>. When logged in to OLC², the *Supervisory/Non-Supervisory Performance Management* course will appear in the "New Items" section located at the bottom right side of the OLC² Welcome Page. Once employees have completed the course and received a test score of at least 80%, employees should print their training certificate. Employees must enter this course into CHRIS.

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WEEKLY ACTIVITY REPORT

Ending March 4, 2011

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued to the National Nuclear Security Administration (NNSA)

On February 28, 2011, an IRM was issued to the NNSA's Director, Office of Acquisition and Supply Management, and the NNSA Manager of the Los Alamos Site Office with 2 recommendations for corrective action. The investigation determined that while employed as a timekeeper at Los Alamos, a former contractor employee fraudulently entered 300 hours into the Los Alamos payroll system resulting in the former contractor employee receiving payment for hours that were not worked. As previously reported, the former contractor employee pled guilty in U.S. District Court for the District of New Mexico and was sentenced to serve 3 years supervised probation and ordered to pay \$15,363 in restitution to the Department. (I08AL012: [REDACTED])

(b)(6),(b)(7)(C)

2. Savannah River Site Subcontractor Employee Arrested

On February 28, 2011, a Department subcontractor employee was arrested on State of South Carolina forgery charges at the Savannah River Site as a result of an OIG investigation. The investigation determined that the subcontractor employee falsely claimed per diem expenses they had not incurred. This case is part of a larger effort to investigate per diem payments at the site. Portions of the subcontractor's per diem payments were funded through the American Recovery and Reinvestment Act.

(b)(6),(b)(7)(C)

(I11SR010 [REDACTED])

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	36	41	40	40	30	29	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	5	0	2
TCS Fraud Case Support:							21
TOTAL:	39	43	44	40	35	30	33
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	0	1	0	0	0	0
Ratio:	6:1	8:1	6:1	6:1	5:1	6:1	8:1
Agents Assigned:	6	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	1	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	36
Total Hotline Complaints Predicated:	13
Total Referral Letters Issued:	5

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 03/04/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
2	6	1	0	9
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed In CY 2011</u>	
0	0	0	4	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C)
- Region 2 – Please join us in welcoming [redacted] to the OI family. [redacted] came (b)(6),(b)(7)(C) on board February 28, 2011, and is assigned to our Chicago Investigations Office.

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Administrative Reminders

CHRIS Work Flow -- ensure your CHRIS Training Work Flow profile is set up as follows:

Step 1: Supervisor

Step 2: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

Step 3: MA – [redacted]

Step 4: MA – [redacted] (only required when there is a cost associated with the training)

(b)(6),(b)(7)(C)

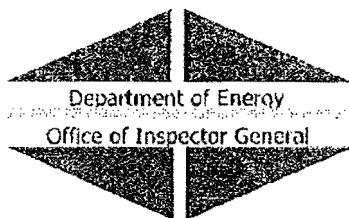
Step 5: MA – [redacted]

To modify/verify your CHRIS Training Work Flow, once in CHRIS select:

- CHRIS Workflow
- Training
- Setup
- Employee Training Workflow profile
- Select the magnifying glass next to each step and select the appropriate name from the list
- Hit save

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WEEKLY ACTIVITY REPORT

Ending March 11, 2011

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SIGNIFICANT ACTIVITY

1. Former Weatherization Assistance Program (WAP) Contractor Sentenced

On March 3, 2011, in the Federal District Court for the Southern District of Alabama, a former WAP contractor was sentenced to 5 years probation, ordered to pay \$37,627 in restitution to the Department and fined \$100. As previously reported, the investigation determined the former contractor billed for and received payment in excess of \$37,000 in WAP materials and labor [redacted] never provided. This case did not involve American Recovery and Reinvestment Act funds. (I09SR010: [redacted]) (b)(6),(b)(7)(C)

2. Search Warrants Executed and Subpoenas Issued in WAP Investigation

(b)(7)(A)

(b)(7)(A) This is a joint investigation with [redacted] (I11LL011: R. [redacted]) (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	35	40	39	40	27	28	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	5	1	2
TCS Fraud Case Support:							21
TOTAL:	38	42	43	40	32	30	33
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	2	1	1	0	3	0	0
Ratio:	6:1	8:1	6:1	6:1	4:1	6:1	8:1
Agents Assigned:	6	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	1	2	1	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	40
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	8

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 03/11/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
2	6	1	0	9
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	4	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- All agents are reminded that all Fraud Awareness Briefings should include discussion on the Recovery Act and documented in EIGPT.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

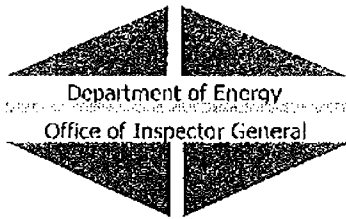
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending March 18, 2011

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SIGNIFICANT ACTIVITY

1. Contractor Employee Terminated as a Result of an OIG Joint Investigation

On March 11, 2011, a contractor employee was terminated from the Los Alamos National Laboratory (Los Alamos) as a result of an OIG joint investigation. The investigation determined the former contractor employee stole various items from Los Alamos, including industrial power equipment. The exact loss to the Department has not been determined. This is an ongoing joint investigation with the

(b)(7)(A)

(I10AL006:

(b)(6),(b)(7)(C)

2. Former Pantex Plant Contractor Employees Indicted

On March 9, 2011, two former Pantex Plant contractor employees were indicted in the Northern District of Texas for theft of Government property. As previously reported, the investigation determined the former contractor employees stole various items including industrial power equipment, copper and building materials from the Pantex Plant. The exact loss to the Department has not been determined. This is an ongoing joint investigation with the

(b)(7)(A)

(b)(6),(b)(7)(C)

(I10AL014:

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	36	41	40	40	28	28	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	5	1	2
TCS Fraud Case Support:							22
TOTAL:	39	43	44	40	33	30	34
Cases Opened:	1	0	1	0	1	0	0
Cases Closed:	0	0	0	0	0	2	0
Ratio:	6:1	8:1	6:1	6:1	5:1	6:1	8:1
Agents Assigned:	6	5	7	6	6	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	1	1	1	0	2	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	49
Total Hotline Complaints Predicated:	12
Total Referral Letters Issued:	21

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 03/18/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
3	6	1	0	10
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed In CY 2011</u>	
0	0	0	4	

RECOVERY ACT EFFORTS

The Office of Investigations completed 3 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 4 – On March 8, 2011 [REDACTED] provided a briefing in Lubbock, TX to that city's Assistant City Manager and Chief Information Officer who are responsible for the oversight of \$2.1 million of Department Recovery Act grant funds.

- (b)(6),(b)(7)(C)
- Region 4 – On March 8, 2011 [REDACTED] provided a briefing to the manager for the Lamb County Electric Cooperative Incorporated (Cooperative) in Littlefield, TX. The Cooperative received over \$2 million of Department Recovery Act grant funds to implement SMART Grid Technologies.

- (b)(6),(b)(7)(C)
- Region 6 – On March 10, 2011 [REDACTED] provided a briefing in Portland, OR to the manager and nine contract specialists of the Bonneville Power Administration's Energy Efficiency group.

OTHER MATTERS

- All agents are reminded that official case files and related folders and bulky exhibits must be marked in accordance with the requirements in Chapter 6, Section D, of the Investigations Manual.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

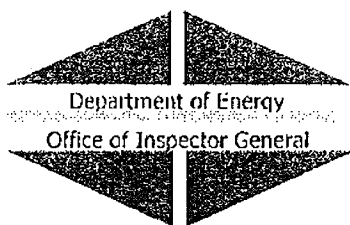
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending April 1, 2011

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SIGNIFICANT ACTIVITY

1. Owner and Employee of Metal Recycling Business Sentenced

On March 24, 2011, the owner and an employee of a metal recycling business, with no affiliation to the Department, were each sentenced in Federal District Court in Eastern Washington to 1 year home confinement and 4 years probation for violating Federal laws related to illegally structuring money transactions. As previously reported, both individuals pled guilty to seven counts of structuring money transactions and one count conspiracy to commit structuring. Combined, the two individuals were ordered to forfeit \$1.55 million in assets including currency, financial instruments, real estate and vehicles. The investigation determined that the individuals knowingly purchased stolen recyclable metals, including metal from the Bonneville Power Administration, and improperly structured cash withdrawals from the proceeds to avoid filing currency transaction reports. This is a joint investigation with the (b)(7)(A) [redacted] and State and local law enforcement. (110RL004: [redacted])

(b)(6), (b)(7)(C)

2. Former Weatherization Assistance Program (WAP) Contractor Debarred

On March 22, 2011, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management notified the OIG of the debarment of a former WAP contractor and two affiliated companies from doing business with the Federal Government for a period of 3 years. As previously reported, the investigation determined the contractor billed for and received payment in excess of \$37,000 for WAP materials and labor [redacted] never provided. The (b)(6), (b)(7)(C) contractor pled guilty in Federal District Court for the Southern District of Alabama and was sentenced to 5 years probation. The contractor was also ordered to make restitution to the Department in the amount of \$37,627 and was ordered to pay a special assessment of \$100. This case did not involve Recovery Act funds. (109SR010: [redacted])

(b)(6), (b)(7)(C)

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

On March 17, 2011, a former Y-12 SPO entered into pre-trial diversion for a period of 2 years and was ordered to pay a fine of \$3,000 to a State Economic Crime Fund. As previously reported, the SPO was indicted by a Grand Jury in the 7th Judicial District of Tennessee in Anderson County for the submission of a false disability claim. The investigation determined that the former SPO submitted a fraudulent short-term disability claim in order to gain time off to attend training for future employment with a different company. (I08OR008: [REDACTED])

(b)(6),(b)(7)(C)

4. Savannah River Subcontractor Employee Terminated and Pays Restitution

On March 17, 2011, the OIG was informed that Savannah River Remediation (SRR) terminated the employment of a subcontractor employee subsequent to the employee's arrest for forging per diem documents. The OIG investigation determined that the former subcontractor employee received ineligible per diem payments. The former subcontractor employee falsely received the per diem payments by inflating local lodging expenses on receipts submitted in support of per diem claims. Following the arrest, the former subcontractor employee voluntarily paid restitution to the employer, which was credited to SRR. (I11SR010: [REDACTED])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	36	41	42	41	25	29	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							24
TOTAL:	39	43	46	41	29	31	36
Cases Opened:	1	0	1	0	0	1	0
Cases Closed:	1	1	0	1	4	0	0
Ratio:	6:1	8:1	6:1	6:1	4:1	6:1	9:1
Agents Assigned:	6	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	0	1	0	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 78
Total Hotline Complaints Predicated: 25
Total Referral Letters Issued: 21

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 04/01/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
2	6	1	0	9
Total Cases Now Open	Cases Completed This Week	Cases Opened This Week	Total Closed in CY 2011	
0	0	0	6	

RECOVERY ACT EFFORTS

The Office of Investigations completed 8 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • ~~Region 1 – On March 16, 2011~~ [redacted]
(b)(6),(b)(7)(C) [redacted] conducted a briefing in New York State to seven Brookhaven National Laboratory Site Office officials, including the Site Office Manager and staff members.
- (b)(6),(b)(7)(C) • ~~Region 1 – On March 17, 2011~~ [redacted]
(b)(6),(b)(7)(C) [redacted] provided a briefing to 25 Brookhaven Science Associates senior personnel, including the chief legal counsel.
- (b)(6),(b)(7)(C) • ~~Region 4 – On March 22, 2011~~ [redacted] conducted two briefings in Los Alamos, NM, attended by approximately 63 Los Alamos National Security, LLC., (LANS) employees, Department quality assurance, inspection and line management staff, subcontractor technical representatives, craftsman personnel and LANS vendors' personnel.
- (b)(6),(b)(7)(C) • ~~Region 4 – On March 23, 2011~~ [redacted] conducted two briefings in Los Alamos, NM, attended by approximately 42 LANS employees, Department employees, line management staff, subcontractor representatives and LANS vendors' personnel.

- (b)(6),(b)(7)(C)
- **Region 4** – On March 24, 2011 [redacted] conducted 2 briefings in Los Alamos, NM, attended by approximately 53 LANS employees, Department quality assurance, inspection and line management staff, subcontractor technical representatives, craftsman personnel and LANS vendors' personnel.

OTHER MATTERS

- All agents are reminded that the semiannual reporting period ended March 31, 2011. Beginning April 1, 2011, all reportable statistics entered into EIGPT must use April 1, 2011, or later as the action date even if the action occurred prior to April 1, 2011. The use of a later date should be explained in the Executive Brief.
- **Region 3** – Effective March 31, 2011, Denver Investigations and Audits moved to a new location. Their new address is as follows:

U.S. Department of Energy – Office of Inspector General
1617 Cole Boulevard
Golden, CO 80401
Fax: (720) 356-1720

Also, please update your contact information for [redacted]

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

[redacted] Direct Office Number [redacted]

Mobile [redacted]

(b)(6),(b)(7)(C)

E-mail: [redacted]

[redacted] Direct Office Number: [redacted]

Mobile: [redacted]

(b)(6),(b)(7)(C)

E-mail: [redacted]

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **CHRIS** – Please remember that upon completion of any training, employees must send an email to [redacted] indicating that the training has been completed. This information will be used to update training records.

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

- **GOV TRIP** – To approve our internal controls and ensure timely processing of travel authorizations and vouchers, the Gov Trip approval routing for all Office of Investigations employees will be updated effective April 4, 2011. The following identifies the authorized Gov Trip approvers:

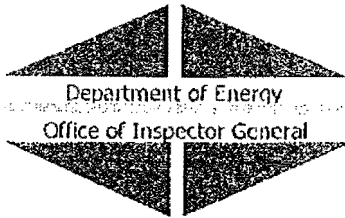
Agent Approvers – ASAC, SAC, and other ASAC within the office
ASAC Approvers – SAC, other ASAC within the office, P3 Director
SAC Approvers – DIGI, DAIGI, P3 Director
Ops Officer Approvers – DAIGI, P3 Director, ARRA SAC

Each of the approvers will receive an email from Gov Trip when an action is entered into Gov Trip by an individual for whom they are listed as an approver. For internal control purposes, 2nd and 3rd level approvers (i.e., the individuals listed 2nd and 3rd on the above list) should only approve a travel authorization or voucher IF the first level approver is unavailable and will not be available in a sufficient period of time to take action. First level approvers must be notified if an action is approved in their absence.

NOTE: Actions initiated prior to April 4, 2011, will continue to be routed to the approvers that were in place at the time of the initial action.

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 All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending April 8, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Department Supply Contractor Sentenced in Purchase Card Fraud Investigation

(b)(6),(b)(7)(C) On March 31, 2011, a Department supply contractor was sentenced in Federal District Court in Eastern Washington to 366 days incarceration and 3 years probation and [redacted] was ordered to pay \$487,000 in restitution to the Department. As previously reported, the supply contractor pled guilty to 2 counts of wire fraud. The investigation determined that an employee of a Department subcontractor used Government-funded purchase cards in a conspiracy with [redacted] spouse, the (b)(6),(b)(7)(C) Department supply contractor, to embezzle approximately \$487,000 from the Department. The purchase cards was used to make unauthorized purchases from (b)(6),(b)(7)(C) the spouse's company. (105RL011: [redacted])

2. Suspensions and Proposed Debarments in Connection with Purchase Card Fraud Investigation

(b)(6),(b)(7)(C) On April 5, 2011, in response to an Investigative Report to Management (IRM), the Director of the Office of Procurement and Assistance Management issued Notices of Suspension and Proposed Debarment to two former Hanford Site contractor employees. As previously reported, each of the individuals pled guilty to 5 counts of wire fraud and were each sentenced to 4 months home confinement and 1 year probation. They were also ordered to pay restitution to the Department totaling \$21,000. The investigation determined that both of the former contractor employees solicited and received numerous personal items they knew were improperly purchased with a Department purchase card by a former contractor employee already sentenced. (108RL008: [redacted])

3. Retired Federal Employee Arrested for Possession of Child Pornography

On March 31, 2011, a retired Federal employee was indicted and arrested for possession of child pornography. The investigation determined that prior to retiring from Lawrence Berkeley National Laboratory (LBNL), the individual used [redacted] work [redacted] (b)(6).(b)(7)(C) computer to download and view child pornography. The arrest was conducted by agents from Region 5 and the Technology Crimes Section (TCS). (I10TC006:

(b)(6).(b)(7)(C)

4. Former Department Subcontractor Employee Sentenced

On March 18, 2011, a former subcontractor employee was sentenced to 18 months probation and 150 hours of community service and was ordered to pay an assessment fee. As previously reported, the former subcontractor employee pled guilty to one count of mail fraud. A joint investigation with the [redacted] (b)(7)(A)

[redacted] (b)(7)(A) determined that employees of a Federal Energy Regulatory Commission grantee, and associated former subcontractor personnel, submitted false invoices to the grantee for work they had not performed. (I04HQ002: [redacted] (b)(6).(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	36	41	40	40	31	30	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							25
TOTAL:	39	43	44	40	35	32	37
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Ratio:	6:1	8:1	6:1	6:1	5:1	6:1	9:1
Agents Assigned:	6	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	1	0	2	2	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 35
Total Hotline Complaints Predicated: 4
Total Referral Letters Issued: 4

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 04/08/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
1	7	0	0	8
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	9	

RECOVERY ACT EFFORTS

The Office of Investigations completed 2 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • TCS – On March 28, 2011, [REDACTED] conducted a briefing for 8 Lawrence Livermore National Laboratory (LLNL) officials, including the LLNL Chief Information Officer (CIO). The agents also discussed cyber issues.
- (b)(6),(b)(7)(C) • TCS – On March 29, 2011, [REDACTED] conducted a briefing for 5 LBNL officials, including the LBNL Deputy CIO. The agents also discussed cyber issues.

OTHER MATTERS

- Agents are reminded that submissions for the weekly report should be limited to four to five sentences. Agents should use previous submissions as guides when updating the status of a case for subsequent weekly reports.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Region 3 – Inspector General Gregory Friedman received a letter of commendation for [REDACTED] who served as a guest facilitator for the Inspector General Criminal Investigator Academy's recent Inspector General Investigator Training Program class. Thank you to [REDACTED] for providing invaluable instruction to the OIG community agents.

ACTION ITEM REPORTS ATTACHED

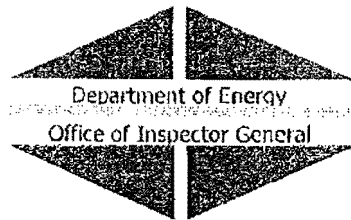
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Travel Authorizations** – Gov Trip automatically routes Travel Authorizations (TA) that have expenses that exceed established thresholds (e.g., lodging costs that exceed per diem) to the Deputy Inspector General for Management and Administration (DIGMA) for approval – the TA is not routed to anyone else in the approval chain. Therefore, prior to submitting a travel authorization that contains expenses that exceed established thresholds, discuss the need for the higher costs with your Special Agent-in-Charge (SAC). The SAC will notify the DIGMA of the circumstances associated with the travel. This prior coordination will help ensure that the TAs is processed timely.
- **Travel Vouchers** – If a ticket has been issued and ADTRAV is subsequently contacted by phone or email (rather than through Gov Trip) to make a change to the travel, an additional fee will be charged for the service. These service fees will not be added to your Gov Trip travel voucher automatically. It is the responsibility of the traveler to identify the additional fees and submit the fees as part of the travel voucher. If the fees are not added to the initial voucher, the voucher may be amended even after payment has been received by the traveler. The following url provides a list of ADTRAV fees: <https://in-gotravel.doe.gov/govtrip/TMC-DOEHQ.html>.

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WEEKLY ACTIVITY REPORT

Ending April 15, 2011

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued in Purchase Card Fraud Investigation

(b)(6),(b)(7)(C) On April 12, 2011, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a Department supply contractor and [redacted] company. An OIG investigation determined that a former Department subcontractor employee utilized Government funded purchase cards in a conspiracy with the Department supply contractor to embezzle approximately \$487,000 from the Department. As previously reported, the former supply contractor was recently sentenced in Federal District Court in Eastern Washington to 366 days incarceration and three years probation and was ordered to pay \$487,000 in restitution to the Department. (I05RL011: [redacted] (b)(6),(b)(7)(C)

2. Subcontractor Employee Pays Restitution to Department

(b)(6),(b)(7)(C) On April 5, 2011, the National Nuclear Security Administration (NNSA) reported receiving \$32,819 in voluntary restitution from a Department subcontractor employee. The payment was made as a result of an agreement between the New Mexico First Judicial District Attorney's Office and the individual in order to dismiss further state level prosecution. The investigation determined that the subcontractor employee submitted and was reimbursed for fraudulent travel claims paid by the Department. (I07AL007: [redacted]

3. Former Los Alamos National Laboratory (Los Alamos) Contractor Employee Suspended from Government Contracting

On April 8, 2011, in response to an IRM, the Director of the NNSA's Office of Acquisition and Supply Management suspended and proposed the debarment of a former Los Alamos contractor employee from doing business with the Federal Government for a period of three years. As previously reported, the investigation determined that while employed as timekeeper at Los Alamos, the former contract employee fraudulently entered over 300 hours into the Los Alamos payroll system resulting in the individual receiving payment for hours not worked. The individual

(b)(6),(b)(7)(C) pled guilty in U. S. District Court for the District of New Mexico and was sentenced to three years supervised probation and was ordered to pay \$15,363 restitution to the Department (I08AL012: [redacted])

4. Former Los Alamos Subcontractor Employees Debarred from Government Contracting

On April 13, 2011, in response to an IRM, the Director of the NNSA's Office of Acquisition and Supply Management notified the OIG that four former Los Alamos subcontractor employees were debarred from doing business with the Federal Government for a period of three years. The investigation determined that while employed at Los Alamos, the former employees stole 5,253 pounds of specialized copper wire belonging to Los Alamos and sold it for their own personal gain. As previously reported, each of the individuals was accepted into the State of New Mexico's Pre-Prosecution Diversion Program and all four were ordered to pay restitution to the Department totaling \$11,469. (I07AL006: [redacted]) (b)(6),(b)(7)(C)

5. Former Los Alamos Subcontractor Employee Debarred from Government Contracting

On April 13, 2011, in response to an IRM, the Director of the NNSA's Office of Acquisition and Supply Management notified the OIG that a former Los Alamos employee was debarred from doing business with the Federal Government for a period of three years. The investigation determined that while employed at Los Alamos, the individual attempted to steal irradiated gold from a Los Alamos plutonium processing facility. As previously reported, the former employee pled guilty in U. S. District Court for the District of New Mexico and was sentenced to 366 days in prison and three years supervised probation. This is a joint investigation with the (b)(7)(A) [redacted] (I09AL005: [redacted]) (b)(6),(b)(7)(C)

6. Former Los Alamos Subcontractor Employee and Two Private Citizens Debarred from Government Contracting

On April 13, 2011, in response to an IRM, the Director of the NNSA's Office of Acquisition and Supply Management notified the OIG that a former Los Alamos subcontractor employee and two private citizens not associated with Los Alamos were debarred from doing business with the Federal Government for a period of three years. The investigation determined that the three individuals conspired to steal and fraudulently use two General Services Administration (GSA) fuel credit cards issued to Los Alamos. As previously reported, the former subcontractor employee and one private citizen were placed into the State of New Mexico's Pre-Prosecution Diversion Program. The other private citizen pled guilty and was sentenced to three years probation. The three individuals were also required to pay restitution to the Department. This was a joint investigation with the (b)(7)(A) [redacted] (I08AL004: [redacted]) (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	38	42	40	43	25	29	9
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							26
TOTAL:	41	44	44	43	29	31	37
Cases Opened:	1	0	1	2	0	0	0
Cases Closed:	0	1	1	0	0	0	0
Ratio:	5:1	8:1	6:1	7:1	4:1	6:1	9:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	1	1	1	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	34
Total Hotline Complaints Predicated:	11
Total Referral Letters Issued:	1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 04/15/2011

<u>With POFC</u>	<u>With RM POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Open</u>
1	7	0	0	8
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	9	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- All agents are encouraged to contact an operations officer for sample IG subpoenas, IRM's, and other investigation-related documents that can be used as a guide when drafting new documents.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

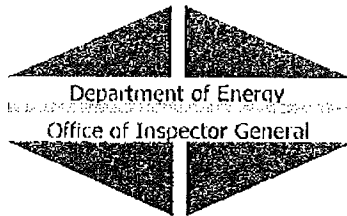
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **FY 2011 Mid-Point Performance Discussions** – Mid-point performance discussions should be completed no later than April 20, 2011, for those individuals who have been on an established performance plan for at least 90 days prior to March 31, 2011. Questions regarding mid-point performance discussions should be addressed to your immediate supervisor.
- **CHRIS** – All Federal Law Enforcement Training Center (FLETC) and IG Criminal Investigator Academy (IGCIA) training courses must be entered into CHRIS. The CHRIS entry should be done when the student receives reporting instructions for the FLETC or IGCIA class. Waiting to enter the CHRIS training request until the reporting instructions are received will ensure that adequate funds are available to fund the course and will prevent needless entries into CHRIS in the event that the course is cancelled or rescheduled.

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WEEKLY ACTIVITY REPORT

Ending April 22, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- None

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	46	39	44	25	29	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							26
TOTAL:	40	48	43	44	29	31	38
Cases Opened:	1	4	0	1	0	0	1
Cases Closed:	2	0	1	0	0	0	0
Ratio:	5:1	9:1	6:1	7:1	4:1	6:1	9:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	0	0	3	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	33
Total Hotline Complaints Predicated:	11
Total Referral Letters Issued:	1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 04/22/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	5	2	0	7
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	10	

RECOVERY ACT EFFORTS

- (b)(6),(b)(7)(C) • Region 2 – On April 19, 2011, [redacted] conducted a briefing at Savannah River for 26 project engineers and quality assurance personnel representing every Department and National Nuclear Security Administration project at the Savannah River Site.

OTHER MATTERS

- (b)(6),(b)(7)(C) • All agents are reminded that Investigative Reports to Management addressed to [redacted] Office of Procurement and Assistance Management, MA-60, should be sent electronically to [redacted] (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) [redacted] designee to receive same) with a carbon copy to [redacted] (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) [redacted] This is the most efficient and preferential way for them to begin their review. Their contact information is in Outlook.

JOYS, CARES, CONCERNS

- (b)(6) • Congratulations to (b)(6) and (b)(6) [redacted] on the birth of their second (b)(6) (b)(6) [redacted] They (b)(6) [redacted] are still deciding on [redacted] name. We wish them the very best!

ACTION ITEM REPORTS ATTACHED

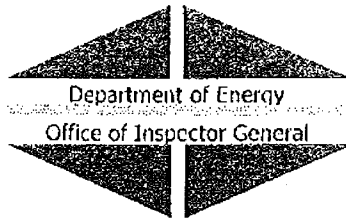
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- (b)(6),(b)(7)(C) • Procurement – To ensure more timely delivery of items to the field, all procurement items are being shipped directly to the field. Invoices included with procurement items shipped to the field must be sent to P3 within 24 hours of receipt of the item. Invoices should be scanned and sent via email to [redacted] and [redacted] (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) [redacted]

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending April 29, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- Investigative Report to Management (IRM) Issued to the National Energy Technology Laboratory (NETL)

On April 18, 2011, an IRM was issued to the NETL Director with five recommendations for corrective action. The investigation determined that three Federal employees made Government credit card purchases in violation of purchase card regulations. This matter was coordinated with the Civil Division of the U.S. Attorney's Office for the Western District of Pennsylvania. (10PT003; (b)(6), (b)(7)(C))

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	47	39	43	25	29	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							27
TOTAL:	40	49	43	43	29	31	39
Cases Opened:	0	2	0	1	0	0	0
Cases Closed:	0	1	0	2	0	0	0
Ratio:	5:1	9:1	6:1	7:1	4:1	6:1	9:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	1	0	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 69
Total Hotline Complaints Predicated: 18
Total Referral Letters Issued: 28

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 04/29/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	5	2	0	7
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	10	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are encouraged to continue interactions with Audits and Inspections counterparts on a regular basis. These interactions should include discussions about open projects, exchanging ideas on potential future work and brown bag lunches.

JOYS, CARES, CONCERNS

- Congratulations to (b) (6) and (b) (6) on the adoption of their (b) (6) adopted (b) (6) from an orphanage in (b) (6). We wish them the very best!

ACTION ITEM REPORTS ATTACHED

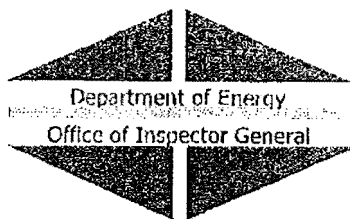
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Promotions:** All grade promotions become effective at the beginning of the pay period. An employee is eligible for the next grade in his/her career ladder one year after receiving his/her last grade increase. However, a supervisor may choose to wait longer than a year to make a grade promotion effective due to performance or other issues.
- **Within Grade Increases (WIGI):** An employee is eligible for a WIGI either 52 weeks (for steps 2 – 4); 104 weeks (for steps 5 – 7); or 156 weeks (for steps 8 – 10) after receiving his/her last step increase. The employee's WIGI becomes effective at the beginning of the pay period. WIGIs are automatically processed by the Department but can be delayed for performance reasons.

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WEEKLY ACTIVITY REPORT

Ending May 6, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Subcontractor Employee Pleads Guilty to Per Diem Fraud

On May 4, 2011, a former Department subcontractor employee pled guilty to one count of obtaining property under false pretenses and was sentenced in the State of South Carolina, Aiken County Summary Court, to pay a \$1,092 fine. As previously reported, the investigation determined that the former subcontractor employee falsely claimed per diem expenses that were not incurred. Prior to the plea, the former subcontractor employee voluntarily reimbursed the Department the full amount received. (111SR010: [REDACTED])

(b)(6),(b)(7)(C)

2. Three Hanford Security Guards Charged in Theft Investigation

On April 26 and 28, 2011, three former Department subcontractor employees were each charged in local courts with one count of theft in the second degree in connection with several thefts of property from the Department's Hanford Site. The joint investigation with the (b)(7)(A) [REDACTED] determined the former employees each stole various pieces of Government equipment during their employment. The investigation is ongoing. (111RL004: [REDACTED])

(b)(6),(b)(7)(C)

3. Former of Subcontract Employee Suspended

On April 29, 2011, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management notified the OIG of a suspension and proposed debarment. As previously reported, a former subcontractor employee was indicted on theft of public funds and false statements, made restitution of \$22,561 to the Department and entered into a pretrial diversion agreement. The investigation determined the former subcontractor employee falsified four per diem certification forms in order to receive \$22,561 in American Recovery and Reinvestment Act (ARRA) funded per diem payments. (110SR010: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	38	47	39	43	25	29	10
Hold:	0	2	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							27
TOTAL:	41	49	43	43	29	30	39
Cases Opened:	2	0	0	2	0	0	0
Cases Closed:	0	0	0	3	0	1	0
Ratio:	5:1	9:1	6:1	7:1	4:1	6:1	9:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	0	0	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	77
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	4

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 05/06/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	5	2	0	7
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	10	

RECOVERY ACT EFFORTS

- (b)(6), (b)(7)(C) • On May 2, 2011, [REDACTED] provided a briefing to eight members of the Savannah River Operations Office, Office of Contracts Management at the Savannah River Site (SRS) in Aiken, SC.

- (b)(6),(b)(7)(C) • On May 5, 2011, [REDACTED]
(b)(6),(b)(7)(C) [REDACTED] provided a fraud awareness briefing to 100 people in DOE's Office of Energy Efficiency and Renewable Energy (EERE). The briefing was provided via "webinar" during an orientation for EERE staff at HQ and in the field. [REDACTED] provided an overview of OI and discussed common fraud indicators and schemes (including ARRA). They also discussed the Hotline. The OIG's Office of Audits and Inspections also participated.

OTHER MATTERS

- All agents are reminded to have Memorandums of Investigative Activity (MOIA) drafted within five days of the investigative activity.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(E) • Congratulations to [REDACTED] for [REDACTED] graduation from FLETC's Inspector General Investigator Training Program on April 29, 2011.

ACTION ITEM REPORTS ATTACHED

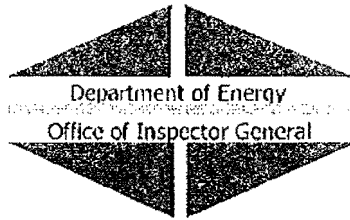
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **2011 Federal Employee Viewpoint Survey** – The Office of Personnel Management (OPM) issued an email this week encouraging federal employees to respond to the 2011 Federal Employee Viewpoint Survey. The survey offers employees the opportunity to express their thoughts, opinions, and ideas regarding their job, their agency and the Federal workforce as a whole. Please take the time to complete the survey. The information you provide in the survey will help OIG make a better place to work.
- **Travel** – If a travel authorization is approved in GovTrip and the trip is subsequently cancelled, the traveler must ensure that the travel authorization is cancelled in GovTrip. Failure to cancel the travel authorization could result in the airline tickets being issued and may result in the employee being charged for those tickets. Also failure to cancel the travel authorization prevents the funds associated with the authorization from being used for other trips.

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WEEKLY ACTIVITY REPORT

Ending May 13, 2011

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SIGNIFICANT ACTIVITY

1. Protesters Convicted of Trespassing at Y-12

On May 11, 2011, 12 individuals with no Department affiliation were convicted in U.S. District Court for the Eastern District of Tennessee for trespassing on the Y-12 National Security Complex, Oak Ridge, TN. The arrest, processing and detention of the individuals was a joint effort between OIG agents, the U.S. Marshals Service and Y-12 security guards. As previously reported, 13 individuals were arrested without incident on July 5, 2010. The trial of one individual has been rescheduled for August 2011. (I10OR013: [REDACTED] I10OR014: [REDACTED])

(b)(6).(b)(7)(C)

(b)(6).(b)(7)(C)

2. Two Former Pantex Plant Contractor Employees Pled Guilty

On April 28, 2011, and May 5, 2011, two former contractor employees pled guilty in U.S. District Court for the Northern District of Texas in Amarillo, TX, to one count each of theft of Government property. As previously reported, the investigation determined the former contractor employees stole various items including industrial power equipment, copper and building materials from the Pantex plant. The exact loss to the Department has not been determined. This is an ongoing joint investigation with the (b)(7)(A) [REDACTED] (I10AL014: [REDACTED])

(b)(6).(b)(7)(C)

3. Employment Terminated in Access Device Fraud Investigation

On May 10, 2010, a subcontractor employee of Sandia and Los Alamos National Laboratories was terminated from employment. The joint investigation between the OIG and U.S. Secret Service determined that the former subcontractor employee sold Department computer serial numbers to an individual with no Department affiliation on numerous occasions. The computer serial numbers were used to fraudulently obtain over \$1.6 million worth of computer parts from a large computer manufacturer. There was no loss to the Department. The OIG's Technology Crimes Section is providing support in this investigation. (I10AL012: [REDACTED])

(b)(6).(b)(7)(C)

4. Response to Investigative Report to Management (IRM)

On May 10, 2011, the National Energy Technology Laboratory (NETL) responded to an OIG IRM which made five recommendations, including a recommendation to determine whether there is a systematic problem with NETL's purchase card program. All five corrective actions recommended in the IRM were accepted. As previously reported, the IRM was issued to NETL after an OIG investigation discovered systematic issues with NETL's Government credit card purchase procedures. (I10PT003: [REDACTED])

(b)(6),(b)(7)(C)

5. IRM Issued in Conflict of Interest Investigation

On May 11, 2011, an IRM was issued to the administrator of the Bonneville Power Administration (BPA) recommending that BPA determine if administrative action should be taken against a Department manager. The investigation determined that since 2007, the manager encouraged BPA paint shop personnel to purchase paint and related supplies from a BPA vendor that gave the manager a vendor discount on personal paint purchases. During the period in question, BPA made \$45,846 in purchases from the vendor and the manager purchased discounted paint from the vendor for personal use. (I10RL012: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	47	40	42	26	29	10
Hold:	0	2	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							28
TOTAL:	43	49	44	42	30	30	40
Cases Opened:	2	0	1	0	1	0	0
Cases Closed:	0	0	0	0	0	0	0
Ratio:	6:1	9:1	6:1	7:1	4:1	6:1	10:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	1	2	0	1	0	0

Total Hotline Contacts:	41
Total Hotline Complaints Predicated:	15
Total Referral Letters Issued:	9

Status as of COB 05/13/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	5	2	0	7
Total Cases Now Open	Cases Completed This Week	Cases Opened This Week	Total Closed In CY 2011	
0	0	0	10	

- None

• **EIGPT Rules of Behavior** – In compliance with the Department's Program Cyber Security Plan, please review the EIGPT Rules of Behavior distributed by [REDACTED] (b)(6),(b)(7)(C) [REDACTED] OIG via email on May 11, 2011. By no later than May 27, 2011, please send an email to [REDACTED] at [REDACTED] confirming that (b)(6),(b)(7)(C) you have read the rules of behavior and that you agree to abide by those rules. Failure to respond by May 27, 2011, will result in your EIGPT account being disabled.

- Agents are reminded that requests to make any deletions in locked fields in EIGPT should be routed through an Operations Officer. Requests should not go directly to

• Congratulations to [redacted] and [redacted] (b)(6), (b)(7)(C)
(b)(6) on the birth of their [redacted]
[redacted] They are still deciding on [redacted] name. We wish them the very (b)(6)
best!

ACTION ITEM REPORTS ATTACHED

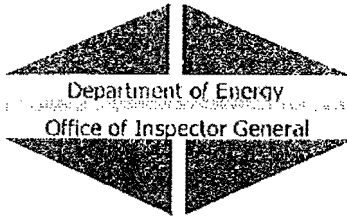
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Travel Vouchers** – Office of Investigations personnel are reminder, in accordance with DOE's Travel Manual (DOE M 552.1-1A), to submit travel vouchers within 5 workdays of returning from travel. This will help ensure that the traveler receives payment prior to receiving a travel card bill. It will also help ensure that funds obligated for a trip that were not used are available to be used for other trips.

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WEEKLY ACTIVITY REPORT

Ending May 20, 2011

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SIGNIFICANT ACTIVITY

1. Monetary Recovery In Separate but Related Per Diem Fraud Investigations

On May 17, 2011, the Department's Savannah River Operations Contracting Office informed the OIG that Savannah River Nuclear Solutions (SRNS), Savannah River Site's Management and Operating Contractor, reduced its award fee by an additional \$730,050, increasing the total reduction to \$1,843,711. As previously reported, the OIG was notified that SRNS reduced its award fee by \$1.14 million to offset monies paid to ineligible per diem recipients. The recovery stemmed from several investigations that established SRNS paid per diem allowances to ineligible employees on multiple occasions. Approximately \$1.2 million involved American Recovery and Reinvestment Act (ARRA) funds. [REDACTED] (b)(6),(b)(7)(C) Multiple Cases)

2. Sentencing in Per Diem Fraud Investigation

On May 17, 2011, in U.S. District Court for the District of South Carolina, a former SRNS subcontractor employee was sentenced to five years probation and ordered to pay \$44,415 in restitution. As previously reported, the former subcontractor employee pled guilty to making false statements in order to fraudulently receive per diem. (I11SR007: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	40	46	42	42	27	29	10
Hold:	0	2	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							28
TOTAL:	43	48	46	42	31	30	40
Cases Opened:	0	0	2	0	1	0	0
Cases Closed:	0	1	0	0	0	0	0
Ratio:	6:1	9:1	6:1	7:1	4:1	6:1	10:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	2	3	0	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	47
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	3

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 05/20/2011

With POFC	With RM POFC	In CIG	For Signature	Total Open
0	5	1	0	6
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
0	0	0	11	

RECOVERY ACT EFFORTS

(b)(6).(b)(7)(C)

- TCS – On May 18, 2011 [REDACTED] conducted a briefing at the Kansas City Plant (KCP), which was attended by 100 Cyber Security staff, including the KCP Chief Information Officer. Fraud awareness and cyber issues were discussed.

OTHER MATTERS

- Agents are reminded that when issuing an Investigative Report to Management (IRM), a copy must be sent to Headquarters (HQ) at the time of issuance. Additionally, once a response is received from management, a copy of the response should also be sent to HQ. All copies should be sent to [REDACTED] (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

with a copy to Operations at [REDACTED] (b)(6),(b)(7)(C)

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

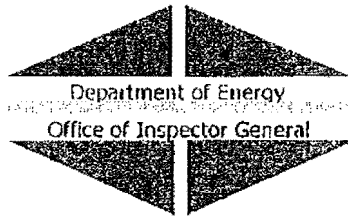
- **Mandatory Training** – In accordance with the May 4, 2011, DOECAST Message, all Office of Investigations personnel must complete the following mandatory training classes:
 - **2011 Federal Employee Occupational Safety and Health Annual Training Course** – The course must be completed no later than June 6, 2011.
 - **2011 Mandatory Cyber Security Awareness Training** – The course must be completed no later than June 30, 2011.

Both courses are available on OLC² (<https://olc2.energy.gov>) and appear in the Learning Plan section as well as in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.

- **Travel Card Dispute** – If a traveler believes a charge on his/her travel card is incorrect, the traveler should dispute the charge. To dispute a charge, the traveler must log on to their travel card on-line account, select the transaction in question, and click on the dispute option. A temporary credit will be issued for the amount of the transaction being disputed. The temporary credit will last up to 60 days and should provide the traveler with sufficient time to resolve the dispute with the vendor. Disputing the charge through the traveler's on-line account, will ensure that a disputed amount is not reported as past due during the period of time the traveler is working with the vendor to resolve the dispute.

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WEEKLY ACTIVITY REPORT

Ending May 27, 2011

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SIGNIFICANT ACTIVITY

1. Former Savannah River Site Subcontractor Employee Indicted

On May 19, 2011, a former Savannah River Nuclear Solutions (SRNS) subcontractor employee was indicted by a Federal grand jury in the District of South Carolina on one count of theft of Government funds and four counts of issuing false statements. The investigation determined that the former subcontractor employee falsified per diem eligibility forms and, as a result, received more than \$25,000 in per diem benefits, a portion of which was funded by the American Recovery and Reinvestment Act. (110SR013:)

(b)(6),(b)(7)(C)

2. Federal Grand Jury Indictment in Per Diem Fraud Investigation

On May 20, 2011, a Federal Grand Jury in the District of South Carolina indicted a former subcontractor employee of SRNS on one count of theft of Government funds. The investigation determined that the former subcontractor employee fraudulently received approximately \$13,360 in per diem benefits by falsifying per diem eligibility certifications. (110SR015:)

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	43	46	45	42	27	29	10
Hold:	0	0	0	0	0	0	0
Pending Closure/Action:	3	2	4	0	4	1	2
TCS Fraud Case Support:							32
TOTAL:	46	48	49	42	31	30	44
Cases Opened:	1	0	3	0	1	0	0
Cases Closed:	0	0	0	0	1	0	0
Ratio:	6:1	9:1	7:1	7:1	4:1	6:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	2	0	0	0	0	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	45
Total Hotline Complaints Predicated:	14
Total Referral Letters Issued:	1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 05/27/2011

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	5	0	0	5
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>		<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>
5	1		0	12

RECOVERY ACT EFFORTS

The Office of Investigations completed 3 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 1 - On May 25, 2011, [REDACTED] provided a briefing for three senior Department managers at the Princeton Plasma Physics Laboratory in New Jersey.

- (b)(6),(b)(7)(C) • Region 3 - On May 25, 2011, [REDACTED] conducted a briefing during a brown bag luncheon at Oak Ridge for 25 audit and inspection staff. The briefing provided an overview of the OI for new OIG staff members and included information regarding OI's Technology Crimes Section as well as Recovery Act initiatives.

- (b)(6),(b)(7)(C) • Region 4 - On May 19, 2011, [REDACTED] conducted a briefing at the National Nuclear Security Administration's (NNSA) Pantex Plant in Amarillo, Texas. The briefing was attended by approximately 50 employees from the NNSA Pantex Site Office and Babcock & Wilcox Technical Services Pantex, LLC, which is the Management and Operating contractor at the Pantex Plant. The attendees were comprised of quality assurance employees, engineers and managers.

OTHER MATTERS

- (b)(6),(b)(7)(C) • There is a new requirement that a copy of Investigative Reports to Management for NNSA suspension/debarment recommendations addressed to [REDACTED] (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) [REDACTED] Office of Acquisition and Supply Management, NA-63 at [REDACTED]
(b)(6),(b)(7)(C) [REDACTED] should also be sent to [REDACTED] NNSA (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) Office of General Counsel at [REDACTED]

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Region 5 - Please join us in welcoming [REDACTED] to the OI family. [REDACTED] (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) [REDACTED] came on board May 23, 2011, and is assigned to our Livermore Investigations Office.

ACTION ITEM REPORTS ATTACHED

- None

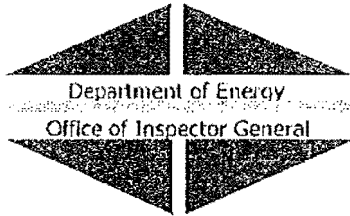
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All Office of Investigations personnel must complete the following mandatory training classes within the established timeframes:
 - **2011 Federal Employee Occupational Safety and Health (FEOSH) Annual Training Course** – The course must be completed no later than June 6, 2011.
 - **2011 Information System Security Awareness Annual Training** (also referred to as 2011 Mandatory Cyber Security Awareness Training) – The course must be completed no later than June 30, 2011
 - **2011 Continuity of Operations Awareness (COOP) Annual Training** – The course must be completed no later than July 29, 2011

These courses are available on OLC² (<https://olc2.energy.gov>) and appear in the Learning Plan section as well as in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.

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WEEKLY ACTIVITY REPORT

Ending June 3, 2011

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SIGNIFICANT ACTIVITY

1. Indictment and Arrest for Possession of Child Pornography

On May 24, 2011, an individual was indicted for one count of possession of sexually exploitative materials. The investigation was initiated upon receipt of allegations that an information technology employee at Idaho National Laboratory may be involved in downloading and distributing child pornography. Further investigation determined that the employee's roommate, with no DOE affiliation, was the person responsible.

On May 26, 2011, the roommate was arrested. This is a joint investigation between

(b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(I10IF005: _____)

2. Administrative Action Taken in Conflict of Interest Investigation

On May 26, 2011, the OIG was informed that a Department sub-grantee took administrative action to limit the authority of an employee overseeing the sub-grantee's Weatherization Assistance Program funding. The OIG investigation determined that the spouse of the sub-grantee employee was awarded extensive weatherization inspection work. This investigation is ongoing. (I11CH001:

(b)(6),(b)(7)(C)

3. Investigative Report to Management (IRM) Issued to the Berkeley Site Office (BSO)

On May 31, 2011, an IRM was issued to the BSO recommending a review of the vehicle accountability process of the managing contractor at the Department's Lawrence Berkeley National Laboratory (Berkeley). The OIG investigation determined Berkeley failed to properly account for its Department-owned vehicles and failed to register the vehicles with the California Department of Motor Vehicles as required by law. (I10LL019: _____)

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	43	46	45	42	27	28	10
Hold:	0	2	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							32
TOTAL:	46	48	49	42	31	29	44
Cases Opened:	0	0	0	0	0	1	0
Cases Closed:	0	0	0	0	0	2	0
Ratio:	6:1	9:1	7:1	7:1	4:1	5:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	2	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	33
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	0

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 06/03/2011

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	5	0	0	5
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
5	0	0	12	

RECOVERY ACT EFFORTS

The Office of Investigations completed 3 Recovery Act-related awareness briefings over the past week, as follows:

- Region 3/TCS – From May 24, 2011, through May 26, 2011, [REDACTED] and [REDACTED] (b)(6),(b)(7)(C)
[REDACTED] Denver Investigations, along with [REDACTED] (b)(6),(b)(7)(C)
[REDACTED] TCS, conducted three briefings to approximately 30 people in security management and cyber security management at the Golden Field Office, Western Area Power Administration and National Renewable Energy Laboratory.

OTHER MATTERS

(b)(6), (b)(7)(C)

- Region 3 – On May 25, 2011, [REDACTED] attended a meeting, along with other law enforcement officials in the area, where United States Attorney General Eric Holder served as a speaker. The event was hosted by the United States Attorney's Office for the Eastern District of Tennessee. Attendees were given the opportunity to speak about their agencies. [REDACTED] (b)(6), (b)(7)(C) provided an overview of the mission of the OI.
- Agents are reminded that maintaining an open dialogue with the Office of Audits and Inspections is vital to the success of the Office of Investigations. Please see the OI Manual, Chapter 4, Section C, for a discussion on this topic.

JOYS, CARES, CONCERNS

(b)(6), (b)(7)(C)

- Region 4 - On May 20 and 21, 2011, as members of the Federal Law Enforcement Officers Association, Chapter 41, [REDACTED] coordinated and participated in two National Missing Children's Day events. One event was held at the Lew Wallace Elementary School family night and the other at the Albuquerque Isotopes minor league baseball game. [REDACTED] (b)(6), (b)(7)(C) assisted in fingerprinting approximately 150 children and provided parents with information on the Center for Missing and Exploited Children, along with how to take and maintain deoxyribonucleic acid, or DNA, samples of their children.

ACTION ITEM REPORTS ATTACHED

- None

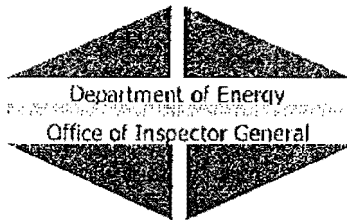
POLICY, PLANS AND PROGRAMS (P3) UPDATES

(b)(6), (b)(7)(C)

- **Mandatory Training** – the 2011 Federal Employee Occupational Safety and Health Annual Training Course must be completed no later than June 6, 2011. The course is available via the Online Learning Center (OLC²) at (<https://olc2.energy.gov>).
- **Corporate Human Resource Information System (CHRIS)** – All OI employees must notify [REDACTED] the status (e.g., completed, cancelled, rescheduled) of any training entered into CHRIS. The information will be used to update employees' training records.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending June 10, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Investigative Reports to Management (IRM) Issued in Per Diem Fraud Investigations

On June 3, 2011, two IRMs were issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of two former Department subcontractor employees. As previously reported, in the first investigation, a former subcontractor employee pled guilty to one count of making a false statement, was sentenced to five years probation and was ordered to pay restitution totaling \$44,415. In the second investigation, a former subcontractor employee pled guilty to obtaining property under false pretenses and was sentenced and fined in the State of South Carolina, Aiken County Summary Court. (I10SR007:

(b)(6)(b)(7)(E)

& I11SR010:

2. Civil Settlement Reached with Savannah River Site Subcontractor Employee

On June 2, 2011, the U.S. Attorney's Office in the District of South Carolina reached a civil settlement agreement with a Savannah River Site remediation subcontractor employee. Pursuant to the agreement, the subcontractor employee agreed to pay \$22,290, of which \$7,340 will be returned to the Department and the remaining amount will be returned to the U.S Treasury as damages. The investigation determined that the subcontractor employee submitted false lodging receipts in order to obtain inflated per diem reimbursements. A portion of the per diem was funded by the American Recovery and Reinvestment Act (ARRA). (I11SR009:

(b)(6)(b)(7)(C)

(b)(6)(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	42	45	45	42	28	27	10
Hold:	0	2	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	4	1	2
TCS Fraud Case Support:							32
TOTAL:	45	47	49	42	32	28	44
Cases Opened:	0	0	0	0	1	0	0
Cases Closed:	1	1	0	0	0	1	0
Ratio:	6:1	9:1	7:1	7:1	4:1	5:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	4	5	2	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 37
Total Hotline Complaints Predicated: 17
Total Referral Letters Issued: 1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 06/10/2011

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	5	0	0	5
Total Cases Now Open	Cases Completed This Week		Cases Opened This Week	Total Closed in CY 2011
5	0		0	12

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 5 – On June 7, 2011 [REDACTED] conducted a briefing in Livermore, CA for 60 Lawrence Berkeley National Laboratory principal investigators and audit staff.

OTHER MATTERS

- Everyone is reminded to fill in all mandatory fields (highlighted in yellow) in the case assignment screen in Energy Inspector General Project Tracking (EIGPT) when opening a new case. This will allow for easier and more accurate searches in EIGPT.
- Regions 2 and 3 – From June 7-9, 2011, Agents from Regions 2 and 3 participated in annual refresher training in Oak Ridge, TN. During this training, Agents received quarterly firearms qualifications, control tactics refreshers, legal updates and simunitions training. The training was a collaborative effort between the two regions.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

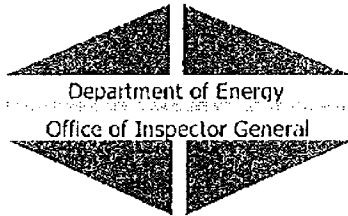
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Emergency Purchases** – Office of Investigations personnel are authorized to make emergency small purchases in the furtherance of the investigative mission. These purchases should be the exception not the rule. Prior to making any purchases, Office of Investigations personnel **must** contact the P3 Director to determine if the purchase can be made using the Office of Investigations purchase card. If the purchase cannot be made using the purchase card, an ASAC can authorize purchases up to \$50 and a SAC can authorize purchases up to \$250. However, all purchases over \$250 must be authorized by the P3 Director. Additional details regarding the policies and procedures that govern emergency purchases, to include the reimbursement process, can be found on the IGNet under Policy/Investigations/Investigations Manual/Supplemental Policies and Procedures to Release 4.0 (https://igcomm.doe.gov/policy_218.cfm#UPDATES).
- **Mandatory Training** – the 2011 Information System Security Awareness Annual Training (also referred to as the 2011 Mandatory Cyber Security Awareness Training) must be completed no later than June 30, 2011. The course is available on OLC² (<https://olc2.energy.gov>).

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WEEKLY ACTIVITY REPORT

Ending June 17, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement Reached with Department Subcontractor

On June 10, 2011, the U.S. Attorney's Office in the District of South Carolina reached a civil settlement agreement with a temporary staffing company providing subcontractor employees to the Savannah River Site (SRS). Pursuant to the agreement, the subcontractor will pay \$47,643 to settle the matter. The investigation determined that the subcontractor submitted a fraudulent lease agreement in order to demonstrate its employee's eligibility to receive per diem. The per diem monies paid to the subcontractor were funded by the American Recovery and Reinvestment Act (ARRA). (I10SR012: [REDACTED])

(b)(6),(b)(7)(C)

2. Former Savannah River Site Subcontractor Employee Arrested

On June 15, 2011, the OIG and the U.S. Marshals Service arrested a former Savannah River Nuclear Solutions subcontractor employee pursuant to the individual's indictment and failure to appear for arraignment. As previously reported, a Federal grand jury in the District of South Carolina indicted the former subcontractor employee on one count of theft of Government funds and four counts of issuing false statements. The investigation determined that the subcontractor employee falsified per diem certifications in order to receive more than \$25,000 in per diem, a portion of which was funded by ARRA funds. (I10SR013: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	42	44	45	42	27	28	10
Hold:	0	1	0	0	0	0	0
Pending Closure/Action:	3	2	4	0	4	1	2
TCS Fraud Case Support:							34
TOTAL:	45	47	49	42	31	29	46
Cases Opened:	0	1	0	0	0	1	0
Cases Closed:	0	0	0	0	1	0	0
Ratio:	6:1	9:1	7:1	7:1	4:1	5:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	0	2	1	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	48
Total Hotline Complaints Predicated:	16
Total Referral Letters Issued:	10

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 06/17/2011

With POFC	With MA POFC	In CIG	For Signature	Total Open
0	5	0	0	5
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>		<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>
5	0		0	12

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- On June 15 and 16, 2011, Deputy Inspector General for Investigations (DIGI) John Hartman and (b)(6), (b)(7)(C) traveled to the Savannah River Site (SRS) and met with OI staff. While at SRS, DIGI Hartman, (b)(6), (b)(7)(C) also met with (b)(6), (b)(7)(C)
- Per Chapter 11 (Reporting Results of Investigations) of the Investigations Manual, DOE management does not need specific prior OIG approval to share an Investigative Report to Management (IRM) with appropriate DOE personnel whose assistance may be necessary to address the report's findings and prepare a response to the OIG. They may not, however, share an IRM with contractor personnel – regardless of the circumstances – without prior OIG approval. See Chapter 11, Section C (9)(c) for additional information on release of IRMs to contractors.
- Agents are reminded to include city, state and number of attendees when documenting Fraud Awareness Briefings in EIGPT.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

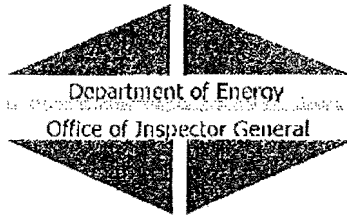
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – the 2011 Information System Security Awareness Annual Training (also referred to as the 2011 Mandatory Cyber Security Awareness Training) must be completed no later than June 30, 2011. The course is available on OLC² (<https://olc2.energy.gov>).
- **Investigations Manual Revisions** – P3 has developed a schedule for the review and update of the Investigations Manual chapters. The schedule is located on the IGNet under Policy/Investigations/Investigations Manual/Release Matrix. Several chapters are currently under review. The next chapters to be reviewed will be Chapters 1 and 5.

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WEEKLY ACTIVITY REPORT

Ending June 24, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement and Debarment in Purchase Card Fraud Investigations

On June 17, 2011, the U.S. Department of Justice entered into a civil settlement agreement with a former Hanford Site prime contractor. The former contractor agreed to pay \$4 million to settle allegations that it violated the False Claims and Anti-Kickback Acts in connection with its role in four OIG investigations involving Hanford Site Government purchase card fraud. The investigations determined that from 2000 to 2008 the former contractor did not implement or carry out adequate internal controls to prevent or detect purchase card fraud committed by several employees, as required by its Department contract. Additionally, on June 10, 2011, the Director of the Office of Procurement and Assistance Management debarred the owner of a Department supply contractor. The investigation determined that an employee of a Department contractor used Government-funded purchase cards in a conspiracy with [redacted] spouse, the Department supply contractor, to embezzle \$487,000 from the Department. As previously reported, the Department supply contractor was convicted and sentenced, [redacted] (I05RL011, I06RL002, I08RL008 & I09RL001)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

2. Investigative Report to Management (IRM) Issued in Conflict of Interest Investigation

On June 20, 2011, the OIG issued an IRM to the Director of the Office of Science regarding a Department employee in the Senior Executive Service (SES). The investigation determined that the employee influenced the award of several Department subcontracts to a company owned by a person with whom [redacted] had a personal relationship. The IRM recommended that management determine if administrative action should be taken against the employee. The investigation is ongoing, [redacted] (I09HQ018)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	42	45	43	41	27	29	10
Hold:	0	1	0	0	0	0	0
Pending Closure/Action:	3	2	4	0	4	1	2
TCS Fraud Case Support:							35
TOTAL:	45	48	47	41	31	31	47
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	0	0	2	1	0	1	0
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	1	2	1	1	3	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	40
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	10

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 06/24/2011

With POFC	With MA POFC	In CIG	For Signature	Total Open
1	6	0	0	7
<u>Total Cases Now Open</u>	<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2011</u>	
7	0	1	12	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are reminded, in accordance with Chapter 4, Section D.1., that files and case file documents (including, but not limited to, investigator notes, bulky exhibits, reference materials and evidence) cannot be discarded in the event a FOIA request is received on an open investigation. The P3 Director will notify the appropriate Special Agent-in-Charge and Assistant Special Agent-in-Charge when a FOIA request is received on an open investigation.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

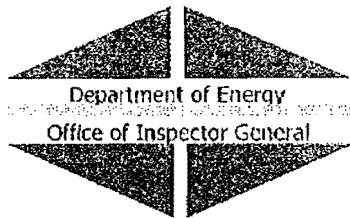
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All Office of Investigations personnel must complete the following mandatory training classes within the established timeframes:
 - **2011 Information System Security Awareness Annual Training** (also referred to as 2011 Mandatory Cyber Security Awareness Training) – The course must be completed no later than June 30, 2011
 - **2011 Continuity of Operations Awareness (COOP) Annual Training** – The course must be completed no later than July 29, 2011

These courses are available on OLC² (<https://olc2.energy.gov>) and appear in the Learning Plan section as well as in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.

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WEEKLY ACTIVITY REPORT

Ending July 1, 2011

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SIGNIFICANT ACTIVITY

1. Search Warrant Executed in Weatherization Investigation

(b)(7)(A)

(b)(7)(A) This is an on-going joint investigation with the Department OIG as lead agency. Agents from Regions 1, 2 and Technology Crimes supported Region 3 in the search. (I11OR009: (b)(6),(b)(7)(C)

& (b)(6),(b)(7)(C)

2. Former Contractor Employee Pled Guilty

On June 27, 2011, a former employee of the Lawrence Livermore National Laboratory (Laboratory) pled guilty in Alameda County Superior Court to one count of felony embezzlement of Government property. As reported previously, the investigation determined that the former employee stole high-end printer cartridges from the Laboratory and sold them to a supply company and online wholesalers. The stolen cartridges were valued at about \$12,000. The former employee agreed to pay \$9,643 in restitution to the Laboratory. Sentencing is pending.

(b)(6),(b)(7)(C)

(I10LL001: (b)(6),(b)(7)(C)

3. Response to Investigative Report to Management (IRM)

On June 28, 2011, the Berkeley Site Office (BSO) responded to an OIG IRM which made three recommendations, including recommending a review of the vehicle accountability process of the managing contractor at the Department's Lawrence Berkeley National Laboratory (Berkeley). All three corrective actions recommended in the IRM were accepted. As reported previously, the IRM was issued to BSO after an OIG investigation determined Berkeley failed to properly account for its Department-owned vehicles and failed to register the vehicles with the California Department of Motor Vehicles as required by law. (I10LL019: [REDACTED])

(b)(6).(b)(7)(C)

4. Former Subcontract Employee Debarred

On June 29, 2011, in response to an IRM, the Office of Procurement and Assistance Management notified the OIG of the debarment of a former subcontract employee from doing business with the Government for a period of 3 years. As reported previously, the former subcontractor employee was indicted on theft of public funds and false statements; and made restitution of \$22,561 to the Department and entered into a pretrial diversion agreement. The investigation determined the former subcontractor employee falsified four per diem certification forms in order to receive \$22,561 in ARRA-funded per diem payments. (I10SR010: [REDACTED])

(b)(6).(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	42	45	43	38	26	29	11
Hold:	0	1	0	0	0	0	0
Pending Closure/Action:	3	2	4	0	4	1	1
TCS Fraud Case Support:							34
TOTAL:	45	48	47	38	30	30	46
Cases Opened:	0	0	0	0	0	0	1
Cases Closed:	0	0	0	3	1	0	1
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	5	1	5	0	1	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	35
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	12

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 07/01/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
2	6	0	0	8
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>	
1	2		3	

RECOVERY ACT EFFORTS

The Office of Investigations completed 3 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 3 – From June 21-23, 2011, [REDACTED] and (b)(6),(b)(7)(C) [REDACTED] conducted six briefings at the Y-12 National Security Complex. In attendance were approximately 260 engineers, technicians and quality assurance and support personnel.
- (b)(6),(b)(7)(C) • Region 6 – On June 23, 2011, [REDACTED] presented a Fraud Awareness Briefing to 8 South Dakota State Weatherization and Energy Officials in Pierre, SD. ARRA information was presented and discussed at the meeting.
- (b)(6),(b)(7)(C) • Region 6 – On June 27, 2011, [REDACTED] presented a Fraud Awareness Briefing to 28 Bonneville Power Administration managers and employees in Idaho Falls, ID. ARRA information was presented and discussed at the meeting.

OTHER MATTERS

- Agents are reminded that OIG subpoenas directed to financial institutions calling for production of financial records of their customers necessitate strict compliance with the Right to Financial Privacy Act of 1978, Title 12, U.S.C., Sections 3401-3422. This statute requires prior or contemporaneous written notice to the customer that his/her financial records have been subpoenaed, thereby affording him/her an opportunity to challenge the subpoena in court. These provisions are not applicable where the financial records sought are those of a corporation, business trust, or partnership comprised of six or more individuals. Agents should familiarize themselves with the OIG Directive, IG-916, "Issuance of IG Subpoenas," for further specific guidance and information on the Right to Financial Privacy Act.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

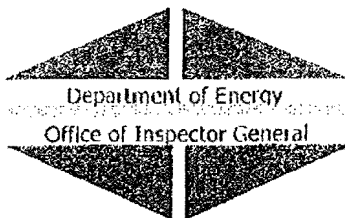
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All OI personnel must complete the 2011 Continuity of Operations Awareness (COOP) Annual Training no later than July 29, 2011. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the Learning Plan section as well as in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.
- **Investigations Manual** – The Investigations Manual and all policies issued to supplement the manual are located on the IGNet under Policy/Investigations/Investigations Manual. Please contact [REDACTED] if you do not have a username and password for the IGNet.

(b)(6)

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WEEKLY ACTIVITY REPORT

Ending July 8, 2011

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SIGNIFICANT ACTIVITY

1. Charges Filed in Copper Wire Theft Investigation

On June 22, 2011, the OIG was notified that the Weld County Colorado District Attorney's Office filed charges of theft over \$20,000, criminal mischief, criminal trespass and burglary against two individuals with no Department affiliation. The investigation determined that the two individuals stole copper wire from the Western Area Power Administration's Ault, CO, substation. DNA evidence collected at the Ault substation matched one of the subjects, and additional investigation determined that multiple subjects participated in the theft of copper that was valued at \$30,000. This investigation is on-going. (110DN003: [REDACTED]) (b)(6),(b)(7)(C)

2. Department Suspends Contractor Employee's Human Reliability Program (HRP) Certification

On July 1, 2011, the OIG was informed that as a result of an OIG investigation the Department suspended a contractor employee's HRP certification for making false statements. The investigation determined that the employee of WSI (formerly known as Wackenhut Services Inc.) knowingly omitted information of a post-traumatic stress disorder and a traumatic brain injury on WSI's pre-employment medical questionnaire in order to gain employment with WSI as a Special Response Team member. This is a joint investigation with the (b)(7)(A) [REDACTED]. The investigation is ongoing. (110SR018: [REDACTED]) (b)(6),(b)(7)(C)

3. Savannah River Site Subcontractor Employee Terminated

On July 1, 2011, the OIG was informed that Savannah River Remediation, LLC terminated the employment of a subcontractor employee. As previously reported, a civil settlement was reached and the former subcontractor employee reimbursed the Government \$22,290. The investigation determined that the former subcontractor employee submitted false lodging receipts in order to obtain inflated per diem reimbursements. A portion of the per diem was funded by the American Recovery and Reinvestment Act. (111SR009: [REDACTED]) (b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	43	44	43	37	26	29	11
Hold:	0	2	0	0	0	0	0
Pending Closure/Action:	3	2	4	0	3	1	1
TCS Fraud Case Support:							36
TOTAL:	46	48	47	37	29	30	48
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	0	0	1	1	0	0
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 22
Total Hotline Complaints Predicated: 9
Total Referral Letters Issued: 3

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 07/08/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	0	0	9
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>	Total Closed <u>in CY 2011</u>		
2	2	3		

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are reminded that their time spent in preparing and conducting a file review should be charged to the case number. EIGPT allows time to be recorded in as low as 15 minute increments, or .25 hours.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

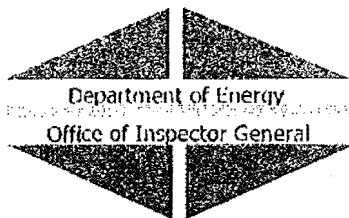
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

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WEEKLY ACTIVITY REPORT

Ending July 15, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Search Warrant Executed in Grant Fraud Investigation

(b)(7)(A)

(b)(7)(A)

(b)(6),(b)(7)(C)

Region 4 in the searches. (I11AL014: [REDACTED])

Agents from Technology Crimes supported

2. Former Subcontractor Employee Charged with Anti-Kickback Act Violation

On July 7, 2011, in the Eastern District of Tennessee, a one count felony Information and plea agreement was filed under seal, charging a former subcontractor employee at the Y-12 National Security Complex (Y-12) with a violation of the Anti-Kickback Act. The investigation determined that the former subcontractor employee received kickbacks from another Y-12 subcontractor. The investigation also revealed that during 2006-2008, the former subcontractor billed time and received payment for hours not worked. The former subcontractor employee has agreed to plead guilty and pay \$294,976 in restitution to the Department. The court acceptance of the plea agreement is pending. (I08OR002: [REDACTED])

(b)(6),(b)(7)(C)

3. Investigative Report to Management (IRM) Issued in Purchase Card Fraud Investigation

On July 11, 2011, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of one former Hanford Site contractor employee and one former subcontractor employee. The investigation determined that the former contractor employee agreed to make purchases from the subcontractor employees' company using a Government-funded Purchase Card if, in return for such orders, the sub-contractor employee passed on

the same orders to the contractor employees wife's company. As previously reported, both individuals were sentenced in U.S. District Court. The former contractor employee was sentenced to 3 years probation and ordered to pay \$150,000 in restitution. The former subcontractor employee was sentenced to 1 year probation and ordered to pay \$8,821 in restitution. (IO6RL002: [REDACTED] (b)(6) (b)(7)(C))

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	42	44	42	37	26	29	11
Hold:	0	4	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	3	1	1
TCS Fraud Case Support:							36
TOTAL:	43	48	46	37	29	30	48
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	2	0	1	0	0	0	0
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	1	4	0	0	3	3

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	51
Total Hotline Complaints Predicated:	16
Total Referral Letters Issued:	3

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 07/15/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	0	0	9
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Agents are reminded that they may claim statistics in EIGPT only when the actions result from our investigative efforts (i.e., investigative activity or information/evidence developed by the OIG). For example, if management terminates an employee for a particular misconduct and, at the same time, reports the misconduct to the OIG, the termination should not be claimed as a statistic. Similarly, if an employee is under investigation for kickbacks, and is arrested by local authorities for an unrelated theft, the arrest should not be claimed.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

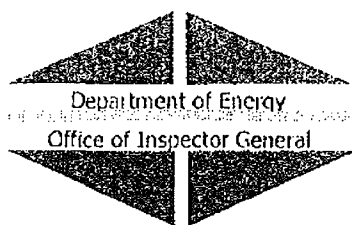
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending July 22, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Demand Letters Issued in Kickback Investigation

On July 15, 2011, the Civil Division of the U.S. Attorney's Office for the Eastern District of Washington issued civil demand letters to four Hanford Site contractor employees for violations of the False Claims Act and the Anti-Kickback Act. The investigation revealed that on multiple occasions between 2005 and 2008, at least 14 material coordinators solicited, received and accepted kickbacks from a Hanford-area vendor. These kickbacks took the form of cash, tickets to sporting events, gift cards and other things of value and were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for these kickbacks, the 14 material coordinators conducted more than \$3.5 million in business with the vendor. (I09RL001: [REDACTED])

(b)(6),(b)(7)(C)

2. Former Los Alamos National Laboratory (Los Alamos) Contractor Employee Debarred

On July 15, 2011, in response to an Investigative Report to Management, the Director of the National Nuclear Security Administration's, Office of Acquisition and Supply Management, debarred a former Los Alamos contractor employee from doing business with the Federal Government for a period of 3 years. As previously reported, the investigation determined that while employed as a timekeeper at Los Alamos, the former contractor employee fraudulently entered over 300 hours into the Los Alamos payroll system resulting in the individual receiving payment for hours not worked. The individual pled guilty in U. S. District Court for the District of New Mexico and was sentenced to 3 years supervised probation and was ordered to pay \$15,363 restitution to the Department. (I08AL012: [REDACTED])

(b)(6),(b)(7)(C)

3. Former Pantex Plant Contractor Employee Sentenced

On July 18, 2011, a former Pantex Plant contractor employee was sentenced in U.S. District Court, Northern District of Texas to 6 months in prison and 3 years supervised release. The contractor employee was also requested to pay restitution and an assessment. As previously reported, the investigation determined the former contractor employee stole various items including industrial power equipment, copper and building materials from the Pantex Plant. The exact loss to the Department has not been determined. This is an ongoing joint investigation with the

(b)(7)(A)

(I10AL014:

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	44	44	42	37	27	30	11
Hold:	0	4	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	3	1	1
TCS Fraud Case Support:							36
TOTAL:	45	48	46	37	30	31	48
Cases Opened:	1	1	0	0	1	0	0
Cases Closed:	0	1	0	0	0	1	0
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	25	4	0	7	0	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	49
Total Hotline Complaints Predicated:	11
Total Referral Letters Issued:	4

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 07/22/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
2	8	0	0	10
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>			Total Closed <u>in CY 2011</u>
0	1			3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

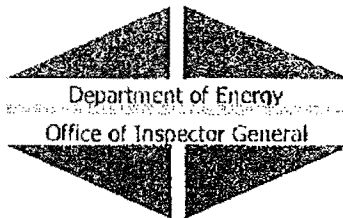
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All OI personnel must complete the 2011 Continuity of Operations Awareness (COOP) Annual Training no later than July 29, 2011. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the Learning Plan section as well as in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.
- **Credentials** – All OI personnel who need a new or replacement credential must submit a Credential Request Form signed by their supervisor to P3. P3 will work with OIG's Office of Management and Administration to issue the credential.

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Deputy Inspector General for Audit and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending July 29, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Suspension Letter Issued in Grant Fraud Investigation

On July 19, 2011, the OIG was informed that the Department issued a suspension letter to a recipient of a \$1.1 million grant for serious mismanagement and misuse of financial assistance award funds. The grant is under an Energy Efficiency and Conservation Block Grant that included American Recovery and Reinvestment Act (ARRA) funds. The suspension occurred after Department grant officials reviewed grant recipient documents obtained by the OIG during the course of the investigation. The documents revealed the recipient failed to follow approved procurement policies and procedures, incurred unallowable costs and pursued activities beyond the approved scope of work. The Department's review of this grant is concurrent with the OIG investigation. This on-going investigation is being worked jointly with the (b)(7)(A)

(b)(6),(b)(7)(C)

(I10CH011: [redacted])

2. Laboratory Equipment Recovered

On July 20, 2011, the OIG recovered \$46,564 in laboratory equipment allegedly stolen from the Department's Savannah River Ecology Laboratory. The equipment was recovered from a University of Kentucky laboratory utilized by the former Department subcontractor employee who was alleged to have taken the equipment. The value of additional equipment recovered is still being determined. The investigation is ongoing and is a joint investigation with the (b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(I011SR008: [redacted])

3. Former Pantex Plant Contractor Employee Sentenced

On July 21, 2011, a former Pantex Plant contractor employee was sentenced in U.S. District Court, Northern District of Texas to 2 years probation. The former contractor employee was also ordered to pay a fine and restitution. As previously reported, the investigation determined the former contractor employee, along with another employee, stole various items including industrial power equipment, copper and building materials from the Pantex Plant. The exact loss to the Department has not been determined. This is an ongoing joint investigation with the (b)(7)(A)

(b)(6),(b)(7)(C)

(I10AL014: [redacted])

4. Actions Against Savannah River Subcontractor Employees on ARRA Per Diem Investigations

On July 21, 2011, the OIG was informed that Savannah River Nuclear Solutions (SRNS) terminated the employment of a subcontractor employee. An investigation determined that the subcontractor employee submitted a fraudulent lease agreement in order to demonstrate eligibility for over \$33,000 in per diem monies that SRNS paid to the subcontractor employee. The per diem payments were funded under the ARRA.

In another per diem investigation, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management notified the OIG on July 25, 2011, of the suspension and proposed debarment of a former SRNS subcontractor employee from doing business with the Federal Government for a period of 3 years. As previously reported, this individual was indicted for fraudulently receiving per diem benefits by falsifying five per diem eligibility certifications in order to receive \$44,415 in ineligible ARRA funded per diem payments. The former subcontractor employee pled guilty and was sentenced to 5 years probation and ordered to pay \$44,415 in restitution. (111SR013: [REDACTED] and 110SR007: [REDACTED])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	43	44	43	37	27	30	11
Hold:	0	4	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	3	1	1
TCS Fraud Case Support:							36
TOTAL:	44	48	47	37	30	31	48
Cases Opened:	0	1	1	0	0	0	0
Cases Closed:	1	1	0	0	0	0	0
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	2	0	1	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	57
Total Hotline Complaints Predicated:	19
Total Referral Letters Issued:	38

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 07/29/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
2	8	0	0	10
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Regions 4 and 5 attended an All-Hands Regional Training in Albuquerque, NM, from July 19- 21, 2011. The training included legal updates and law enforcement control tactics.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

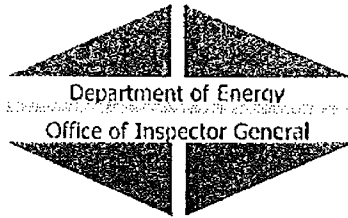
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audit and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending August 5, 2011

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SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement in Investigations of False Claims and Anti-Kickback Act Violations

On July 21, 2011, the U.S. Department of Justice entered into a civil settlement agreement with a Hanford Site sub-contractor. The subcontractor agreed to pay \$515,000 to resolve allegations that it violated the False Claims and Anti-Kickback Acts in connection with its role in two Hanford Site Government purchase card fraud investigations. The investigations found that from 2000 to 2008 the subcontractor did not implement adequate internal controls or meaningful supervision to prevent or detect purchase card fraud. (I06RL002 & I08RL008: [REDACTED])

(b)(6).(b)(7)(C)

2. Actions on Per Diem Investigations at Savannah River Site

On August 3, 2011, in U.S. District Court, District of South Carolina, a former contractor pled guilty to conspiracy in connection with fraudulently receiving per diem benefits while working at the Savannah River Site. The individual fraudulently received approximately \$54,080 in per diem benefits by falsifying per diem eligibility certifications. In another investigation involving American Recovery and Reinvestment Act (ARRA) funds, the OIG was informed that Savannah River Nuclear Solutions (SRNS) terminated the employment of an SRNS employee. The investigation determined that the SRNS employee assisted a relative working as an SRNS subcontractor to fraudulently claim per diem by entering into a false lease agreement. (I10SR008: [REDACTED] & I11SR013: [REDACTED])

(b)(6).(b)(7)(C)

(b)(6).(b)(7)(C)

3. Investigative Report to Management (IRM) Issued to Oak Ridge Office and Y-12 Site Office

On August 1, 2011, an IRM was issued to the Managers of the Oak Ridge Office and Y-12 Site Office with two recommendations for corrective action regarding a security contractor to both the Department and National Nuclear Security Administration. The investigation determined that the security contractor violated Department Orders and other requirements regarding the reporting of missing property. (I11OR006: [REDACTED])

(b)(6),(b)(7)(C)

4. Civil Demand Letters Issued in Kickback Investigation

On July 29, 2011, the Civil Division of the U.S. Attorney's Office for the Eastern District of Washington issued three civil demand letters to current and former Hanford Site contractor employees for violations of the False Claims and Anti-Kickback Act. The investigation revealed that on multiple occasions between 2005 and 2008, at least 14 material coordinators solicited, received and accepted kickbacks from a Hanford-area vendor. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other items of value, were intended to influence the material coordinators to purchase from the vendor. The material coordinators conducted more than \$3.5 million in business with the vendor.

(b)(6),(b)(7)(C)

(I09RL001: [REDACTED])

5. Guilty Plea for Possession of Child Pornography

On July 28, 2011, an individual pled guilty to one count of possession of sexually exploitative material of children in the U.S. District Court of Idaho. The investigation was initiated upon receipt of allegations that an information technology employee at Idaho National Laboratory may have been involved in downloading and distributing child pornography. Further investigation exonerated the employee but determined that the employee's roommate, with no DOE affiliation, was the person responsible. Sentencing is scheduled for October 2011. This is a joint investigation between

(b)(7)(A)

(b)(6),(b)(7)(C)

(I10IF005: [REDACTED])

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	43	44	43	37	27	29	10
Hold:	0	4	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	3	1	1
TCS Fraud Case Support:							36
TOTAL:	44	48	47	37	30	30	47
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	1	1
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	0	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	58
Total Hotline Complaints Predicated:	16
Total Referral Letters Issued:	8

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 08/08/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	8	0	0	11
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>			Total Closed <u>in CY 2011</u>
0	1			3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

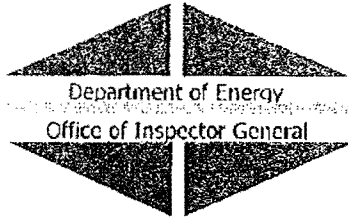
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- CHRIS – CHRIS training requests must include information on the vendor/entity that is providing the training. The vendor's name, address, city, state and zip code must be provided for each training request. This requirement applies even if the entity that is providing the training is DOE or DOE OIG. In these instances, indicate that the vendor is DOE or DOE OIG and provide the address for the organization (e.g., 1000 Independence Avenue, SW, Washington, DC 20585). Failure to enter the vendor information will result in the training request being recycled.

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WEEKLY ACTIVITY REPORT

Ending August 12, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Department Employee Pled Guilty in U.S. District Court

On August 8, 2011, the director of a headquarters program office pled guilty in Washington, DC, to one count of converting public money. The OIG investigation determined that the director submitted fraudulent travel vouchers and was reimbursed for expenses not incurred. Sentencing is pending. (I09HQ005:

(b)(6),(b)(7)(C)

2. National Nuclear Security Administration (NNSA) Official Resigns

On July 18, 2011, in response to an Investigative Report to Management (IRM), an NNSA senior employee resigned in lieu of being terminated. The investigation determined that the employee received a loan from a subcontractor under purview. The funds, totaling \$15,000, were transferred from the subcontractor to the employee's [redacted] who had no affiliation with the Department or the subcontractor.

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(I05HQ006:

3. Former Department Contractor Employee Indicted

On August 9, 2011, a grand jury in the 6th District for the State of Tennessee indicted a former Oak Ridge National Laboratory contractor employee for theft of Government property. The OIG investigation determined the employee used Government-issued travel card to receive cash advances and purchase gasoline and pre-paid credit cards. (I10OR021:

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

4. Savannah River Subcontractor Employee Suspended

On August 9, 2011, in response to an IRM, the Department's Office of Procurement Management notified the OIG that a former subcontractor employee at the Savannah River Site was suspended from Government contracting for a period of 90 days pending debarment. As previously reported, the former subcontractor pled guilty and was sentenced in the State of South Carolina, Aiken County Summary Court, for falsely claiming per diem expenses. (I11SR010:

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	44	44	43	37	27	29	9
Hold:	0	3	0	0	0	0	
Pending Closure/Action:	1	0	4	0	3	1	1
TCS Fraud Case Support:							36
TOTAL:	45	47	47	37	30	30	46
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	1	0	0	0	0	1
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	11:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	3	0	0	1	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	61
Total Hotline Complaints Predicated:	20
Total Referral Letters Issued:	3

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 08/12/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	8	0	0	11
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

The Office of Investigations completed 6 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 5 – On August 8-9, 2011, [REDACTED] presented four briefings to 80 managers, quality assurance experts and engineers from the Lawrence Livermore National Laboratory.
- (b)(6),(b)(7)(C) • Region 5 – On August 10, 2011, [REDACTED] presented a briefing to 20 managers and quality assurance experts from Sandia National Laboratories in Livermore, CA.
- (b)(6),(b)(7)(C) • Region 3 – On August 10, 2011, [REDACTED] presented a briefing in Memphis, TN, to 25 Shelby County Community Services Agency employees consisting of program managers, accounting technicians and weatherization inspectors.

OTHER MATTERS

- (b)(6),(b)(7)(C) • Headquarters – Deputy Inspector General for Investigations (DIGI) John Hartman traveled to the Chicago, IL, OI field office August 10-11, 2011. While in Chicago, DIGI Hartman and [REDACTED] met with Office of Science senior officials John Greenwood, Deputy Manager, and Alan Handwerker, Chief Counsel.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

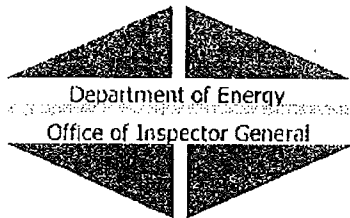
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Travel – It is an employee's responsibility to ensure that his/her travel card charges are timely paid-in-full each month. Occasionally, charges appear on the travel card statement earlier or later than expected. To avoid failing to make a timely payment, it is important that the employee check whether a balance is due each time a travel card statement is received – the employee should not assume that the balance is zero. In addition, it is critical that an employee make arrangements to pay his/her travel card statement in the event that he/she is on travel when the travel card statement is received/due.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending August 19, 2011

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SIGNIFICANT ACTIVITY

1. Capstone Report on Impact of Copper Thefts Issued

On August 17, 2011, the Inspector General (IG) sent the Secretary of Energy a letter report on the impact of copper thefts at the Department. The report draws attention to the nationwide increase in copper thefts and to the fact that the Department is not immune to the problem. The report also highlights the increase in OIG investigations into copper thefts and provides brief synopses on eight recent cases that resulted in convictions or arrests. The report identified several practical, cost-effective steps that the Department can take to manage the risk posed by those attempting to pilfer copper inventory. (111IG002)

2. Department Employee Pleads Guilty and Investigative Report to Management (IRM) Issued

On August 8, 2011, a senior Department employee pled guilty in U.S. District Court for the District of Columbia to converting public money to [redacted] personal use. The OIG (b)(6).(b)(7)(C) investigation determined that the employee had submitted multiple travel vouchers containing false statements and documents. An IRM was issued on August 17, 2011, to the Office of Environmental Management Assistant Secretary with two recommendations for corrective action. (109HQ005 [redacted] (b)(6).(b)(7)(C)

3. IRM Issued to the National Energy Technology Laboratory (NETL)

On August 12, 2011, an IRM was issued to the NETL Director with three recommendations for corrective action. The investigation determined that there may be inadequate control and accountability of supplies maintained at the NETL supply warehouse in Morgantown, WV. As previously reported, a contract employee was charged in West Virginia State Court for theft of government supplies from the NETL warehouse. (110PT010: [redacted] (b)(6).(b)(7)(C)

4. Three NETL Employees Disciplined

On August 4, 2011, in response to an IRM, NETL suspended one employee for three days and issued letters of reprimands to two other employees. As previously reported, the investigation determined that the NETL employees violated Government credit card purchase regulations. This case was coordinated with the Civil Division of the U.S. Attorney's Office for the Western District of Pennsylvania.

(b)(6),(b)(7)(C)

(110PT003: [REDACTED])

5. Subpoenas Issued Regarding Lobbying Investigation

(b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(111RL008: [REDACTED])

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	45	45	41	38	28	29	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	3	1	1
TCS Fraud Case Support:							38
TOTAL:	46	48	45	38	31	30	48
Cases Opened:	1	1	0	1	1	0	0
Cases Closed:	0	0	2	0	0	0	0
Ratio:	6:1	9:1	6:1	6:1	4:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	3	0	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 44
Total Hotline Complaints Predicated: 12
Total Referral Letters Issued: 1

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 08/19/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	8	0	0	12
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- Region 3 - Please join us in congratulating (b)(6), (b)(7)(C) on (b)(6), (b)(7)(C) well deserved (b)(6), (b)(7)(C) recent promotion. Good job (b)(6), (b)(7)(C)

ACTION ITEM REPORTS ATTACHED

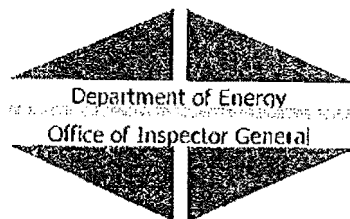
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **End-of-Year Travel Deadlines:** Please keep the following dates in mind as travel plans are made over the next 6 weeks:
 - Vouchers – ensure outstanding vouchers are completed and approved no later than 9/22/11;
 - Authorizations – for trips using FY 2011 funds, ensure authorizations are completed and approved no later than 9/29/11; and
 - Use of FY 2011 Funds – FY 2011 funds may be used for trips if the travel is completed no later than 11/14/11, provided the authorization was approved in GovTrip no later than 9/29/11.
- **Time and Attendance:** All Office of Investigations employees must review and agree to their time and attendance in ATAAPS each pay period. Once an employee's leave is entered into ATAAPS, the employee must logon to ATAAPS and under "Timekeeping" select "Labor/Leave Review." The employee should select the most recent pay period, review the time and attendance recorded in the system and, if correct, select the box agreeing to the time.

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WEEKLY ACTIVITY REPORT

Ending August 26, 2011

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SIGNIFICANT ACTIVITY

1. Former Subcontractor Employee Pleads Guilty to Anti-Kickback Act Violation

On August 23, 2011, a former subcontractor employee at the Y-12 National Security Complex (Y-12) pled guilty in Federal district court for the Eastern District of Tennessee to a one count violation of the Anti-Kickback Act and agreed to pay restitution of \$294,976. The investigation determined that the former subcontractor employee received kickbacks from another Y-12 subcontractor. The investigation also revealed that during 2006, 2007 and 2008, the former subcontractor billed time and received payment for hours [redacted] did not work. Sentencing is scheduled for

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

January 11, 2012. (I08OR002: [redacted])

2. Laboratory Equipment Recovered

On August 17, 2011, the OIG recovered \$389,462 in laboratory equipment from a University of Kentucky Laboratory. The equipment was stolen from the Department's Savannah River Ecology Laboratory by a former Department subcontractor employee. The investigation is ongoing and is a joint investigation with the

(b)(7)(A)

(I11SR008: [redacted])

(b)(6),(b)(7)(C)

3. Actions on Per Diem Investigations at Savannah River

On August 23, 2011, a former subcontractor employee at the Savannah River Site pled guilty in U.S. District Court for the District of South Carolina to one count of theft of Government funds in connection with the subcontractor's claims for per diem benefits. As previously reported, the investigation determined that the subcontractor employee falsely claimed multiple permanent residence addresses and submitted fictitious lease agreements in support of these addresses. As a result of these false per diem claims, the subcontractor fraudulently received in excess of \$26,000 in per diem benefits, a portion of which was funded by the American Recovery and Reinvestment Act.

On August 24, 2011, in a separate per diem investigation, an Investigative Report to Management was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a former Department subcontractor employee. As previously reported, this individual was indicted for fraudulently receiving \$54,080 in per diem benefits. The individual pled guilty and is awaiting sentencing. (I10SR008: [redacted] & I10SR013: [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

4. Former Contractor Employee Sentenced

On August 23, 2011, a former contractor employee of the Lawrence Livermore National Laboratory (Laboratory) was sentenced in Alameda County Superior Court to one day incarceration and five years probation. The individual was also ordered to pay \$9,640 in restitution, court fees and assessments. As previously reported, the investigation determined that the former contractor employee stole high-end printer cartridges from the Laboratory and sold them to a supply company and online wholesalers. The stolen cartridges were valued at approximately \$12,000.

(b)(6),(b)(7)(C)

(I10LL001: [redacted])

5. Arrest for Embezzlement of Weatherization Program Funds

On August 19, 2011, in coordination with the OIG and the U.S. Attorney's Office for the Eastern District of California, the Del Norte County District Attorney's (DA) office arrested a former employee of a non-profit community action agency for violating California's state law on burglary, embezzlement and forgery. The investigation determined that the former employee, with no Department affiliation, embezzled American Recovery and Reinvestment Act funds it received through the Department's Weatherization Assistance Program and which were dispersed to the community action agency. This is a joint investigation with the [redacted]

(b)(6),(b)(7)(C)

(I11LL011 [redacted])

(b)(7)(A)

6. Former DOE Contractor Indicted for Theft of Federal Funds

On August 23, 2011, a former Bonneville Power Administration contractor employee was indicted on one count of theft of federal funds. The investigation determined that the individual embezzled approximately \$36,000 in Department funds for personal use. (I11IF003: [redacted])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	46	46	42	39	24	29	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	1	1	1
TCS Fraud Case Support:							39
TOTAL:	47	49	46	39	25	30	49
Cases Opened:	1	1	1	1	0	0	0
Cases Closed:	0	0	0	0	6	0	0
Ratio:	6:1	9:1	6:1	6:1	3:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	2	2	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	45
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	0

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 08/26/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	8	0	0	12
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- (b)(6),(b)(7)(C)
- Region 6 – On August 23 and 24, 2011, [REDACTED] met with the U. S. Attorney for the District of Idaho, the Criminal Chief and Assistant United States Attorneys currently prosecuting cases for the OIG [REDACTED] also met (b)(6),(b)(7)(C) with the Idaho Operations site manager, Department managers and staff from the Idaho National Laboratory's Naval Reactor Facility, Material Fuels Complex and the Advanced Test Reactor.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All Office of Investigations personnel must complete the 2011 Annual Ethics Training no later than **September 2, 2011**. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.
- **IG Internal Directives** – The following IG Internal Directives were recently updated and can be found on the IGNet under Policy/OIG:
 - Personal Impairments to the Objectivity of OIG Personnel (IG-900C) – updated March 2011
 - Intelligence Oversight Responsibility (IG-903D) – update June 2011
 - Media Inquiries (IG-905F) – updated March 2011
 - Processing Environmental Safety and Health Allegations (IG-910B) – updated April 2011
 - Authority to Administer Oaths, Affirmations and Affidavits to Witnesses (IG-912B) – updated March 2011
 - Procedures for Office of Inspector General Processing of Qui Tam Actions (IG-919B) – updated March 2011

- Identity Protection (IG-920C) – updated June 2011
- OIG Review of Proposed Legislation, Regulations and DOE Directives (IG-921D) – updated March 2011
- Notification of the IG When an Employee or Former Employee Receives a Subpoena or Other Court Demand (IG-926C) – updated March 2011

All Office of Investigations personnel are required to be familiar with and follow the policies and procedures contained in the IG Internal Directives. If you have any questions about the directives, please contact your supervisor.

- **End-of-Year Performance Activities** – The following performance-related activities must be completed no later than October 26, 2011:

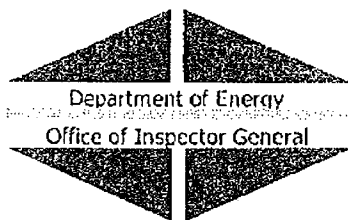
- FY 2011 Performance Appraisals
- FY 2012 Performance Plans
- FY 2012 Individual Development Plans
- FY 2012 Law Enforcement Availability Pay (LEAP) Certifications

If you have any questions about these activities, please speak with your supervisor.

- **All Staff Meeting** – Subject to the availability of funds, the Office of Investigations is planning to hold an All Staff meeting the week of April 30 – May 4, 2012. Employees should mark this date on their calendars and work to avoid any conflicts with the date. The location of the All Staff meeting will be announced in October 2011.

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 All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending September 2, 2011

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SIGNIFICANT ACTIVITY

1. Former Subcontract Employee Pled Guilty

On August 31, 2011, in the U.S. District Court for the District of South Carolina, a former subcontractor employee at the Savannah River Site pled guilty to theft of public funds. The investigation determined the subcontractor employee submitted fraudulent documents in order to receive \$14,598 in American Recovery and Reinvestment Act (ARRA) funded per diem payments. (110SR003: [REDACTED])

(b)(6),(b)(7)(C)

2. Savannah River Subcontractor Employee Suspended

On August 25, 2010, in response to an Investigative Report to Management (IRM), the Department's Office of Procurement Management notified the OIG that a former subcontractor employee at the Savannah River Site was debarred for 3 years. As previously reported, the subcontractor employee pled guilty and was sentenced in the State of South Carolina, Aiken County Summary Court, for falsely claiming per diem expenses not incurred. None of the per diem monies paid to the subcontractor employee were ARRA funds. (111SR010: [REDACTED])

(b)(6),(b)(7)(C)

3. Actions Taken in Response to IRM

On August 26 and 31, 2011, respectively, the Y-12 Site Office and the Oak Ridge Office responded to an IRM that made two recommendations concerning the security contractor to both the National Nuclear Security Administration (NNSA) and the Department. In one response, management agreed to closely monitor the contractor's compliance activities and the other reported that management included the contractor's failures in the contractor's performance report. The IRM was issued after an OIG investigation determined the contractor failed to adhere to reporting requirements involving missing property. (111OR006: [REDACTED])

(b)(6),(b)(7)(C)

4. IRM Issued to NNSA

On August 29, 2011, an IRM was issued to the NNSA's Director, Office of Acquisition and Supply Management and the NNSA Manager of the Pantex Plant Site Office with suspension and debarment recommendations. The investigation determined that while employed at the Pantex Plant, three former contractor employees stole Department owned industrial power equipment, copper and building materials from the Pantex Plant. As previously reported, two of the former contractor employees were prosecuted in U.S. District Court for the Northern District of Texas, with prosecution of the third former employee being declined in lieu of Department available administrative remedies. One former contractor employee was sentenced to 6 months incarceration and 3 years supervised release, while the other was sentenced to 2 years probation. Both were ordered to pay a total of \$1,548.50 restitution to the Department. This is a joint investigation with the (b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(110AL014:)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	47	44	42	38	24	30	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	1	1	1
TCS Fraud Case Support:							39
TOTAL:	48	47	46	38	25	31	49
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	2	0	1	0	0	0
Ratio:	6:1	9:1	6:1	6:1	3:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	0	0	2	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	31
Total Hotline Complaints Predicated:	14
Total Referral Letters Issued:	5

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 09/02/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	8	0	0	12
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

The Office of Investigations completed 3 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6), (b)(7)(C)
- Region 5 – August 31, 2011 [REDACTED] presented three briefings to 40 managers and field staff at the Office of California Community Services and Development in Sacramento, CA.

OTHER MATTERS

- UFAN – The Transportation Security Administration (TSA), Office of Law Enforcement has sent out a notice advising that the expiration date for the current Unique Federal Agency Number (UFAN) has been extended to September 30, 2011. TSA may extend this expiration date further, if necessary.
- Region 3 – DOE OIG hosted a firearms and defensive tactics course in Oak Ridge that was tailored for women in law enforcement. It was attended by law enforcement members from DOE OIG; Environmental Protection Agency, Criminal Investigation Division; Tennessee Valley Authority OIG and the Lewisburg Tennessee Police Department.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

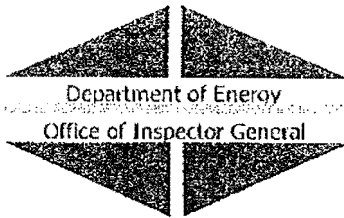
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **End-of-Year Travel Deadlines:** Please keep the following dates in mind as travel plans are made over the next 6 weeks:
 - Vouchers – for trips ending prior to 9/16/11, ensure vouchers are completed and approved no later than 9/22/11
 - Authorizations – for trips using FY 2011 funds, ensure authorizations are completed and approved no later than 9/29/11
 - Use of FY 2011 Funds – FY 2011 funds may be used for trips if the travel is completed no later than 11/14/11, provided the authorization was approved in GovTrip no later than 9/29/11
- **Mandatory Training** – All Office of Investigations personnel must complete the **2011 Annual Ethics Training** no later than **September 2, 2011**. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.

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WEEKLY ACTIVITY REPORT

Ending September 9, 2011

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SIGNIFICANT ACTIVITY

1. Search Warrant Executed in Loan Guarantee Investigation

(b)(7)(A)

(b)(7)(A)

The investigation is ongoing. (I11LL008: [REDACTED])

(b)(6),(b)(7)(C)

2. Civil Settlement Agreement Reached with Former Department Subcontractor

On August 31, 2011, the U.S. Attorney's Office (USAO) in the District of South Carolina reached a civil settlement with a temporary staffing company that provided subcontractor employees to the Savannah River Site. Pursuant to the agreement, the subcontractor agreed to abandon a \$1.1 million claim for overdue per diem reimbursement payments and the USAO agreed not to pursue a civil prosecution for violations of the False Claims Act. The investigation determined that the subcontractor failed to properly review per diem eligibility certifications and supporting documents, which caused the Department to pay per diem benefits to ineligible recipients. (I11SR005: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	47	44	41	39	24	30	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	1	0	4	0	1	1	1
TCS Fraud Case Support:							39
TOTAL:	48	47	45	39	25	31	49
Cases Opened:	0	0	1	1	0	0	0
Cases Closed:	0	0	2	0	0	0	0
Ratio:	6:1	9:1	7:1	6:1	3:1	6:1	12:1
Agents Assigned:	7	5	6	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	3	0	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts	21
Total Hotline Complaints Predicated:	9
Total Referral Letters Issued:	7

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 09/09/2011

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
4	8	0	0	12
<u>Cases Completed This Week</u>		<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>
0		0		3

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

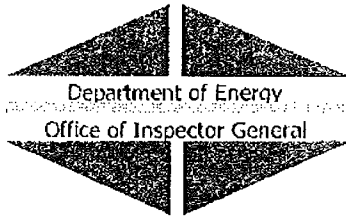
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Travel – Effective September 1, 2011, DOE began allowing the purchase of non-refundable air tickets for official travel when deemed cost effective. **OIG employees are not authorized to use non-refundable tickets at this time.** An OIG analysis is being done to determine the impact of using non-refundable tickets. Additional guidance regarding these tickets will be issued once the analysis has been completed. In the interim, if there is a need to use a non-refundable ticket, the SAC or ASAC must contact the P3 Director to discuss the circumstances.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending September 16, 2011

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SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement in Kickback, Defective Pricing and Bid Rigging Investigation

On September 9, 2011, the U.S. Department of Justice (DOJ) entered into a civil settlement agreement with an information technology systems integrator. The systems integrator agreed to pay \$63,675,000 to resolve allegations that it received kickbacks for its recommendations of hardware and software to the Government, fraudulently inflated prices and rigged bids in connection with Federal information technology contracts. This is a joint investigation with the (b)(7)(A)

(b)(7)(A)

This brings the total settlements in this investigation to approximately \$304,000,000.

(b)(6), (b)(7)(C)

(105AL005)

2. Department Grantee's Former Chief Financial Officer (CFO) Pleads Guilty

On September 13, 2011, in the U.S. District Court, Eastern District of Tennessee, the former CFO of a multi-state non-profit agency that received Department grant and contract funds, pled guilty to one count of wire fraud and one count of money laundering. The investigation determined that the former CFO stole in excess of \$400,000 from the non-profit agency over a 3 year period using various financial schemes. Sentencing is set for January 26, 2012. (109OR009: [redacted])

(b)(6), (b)(7)(C)

3. Actions Taken in Response to Investigative Report to Management (IRM)

On September 9, 2011, the Deputy Director of the National Energy Technology Laboratory (NETL) in Morgantown, WV, responded to an IRM. [redacted] agreed to initiate a comprehensive review to examine property management policies. The IRM was issued after an OIG investigation determined a former contractor employee embezzled supplies from a NETL warehouse. (110PT010: [redacted])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

4. Actions on Embezzlement Case at Lawrence Livermore National Laboratory

On September 9, 2011, an IRM was issued to the NNSA's Director, Office of Procurement Management and Assistance and the NNSA Manager of the Livermore Site Office with recommendations for suspension and debarment. As previously reported, the investigation determined that a former Lawrence Livermore National Laboratory (Laboratory) employee stole high-end printer cartridges from the Laboratory and sold them to a supply company and online wholesalers. The stolen cartridges were valued at approximately \$12,000. The former employee was sentenced to 5 years probation and agreed to pay restitution to the Laboratory.

(b)(6),(b)(7)(C)

(110LL001: [REDACTED])

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	45	44	40	39	24	33	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	2	0	4	0	1	1	1
TCS Fraud Case Support:							41
TOTAL:	47	47	44	39	25	34	52
Cases Opened:	0	0	0	0	0	3	1
Cases Closed:	1	0	1	0	0	0	0
Ratio:	6:1	9:1	7:1	6:1	3:1	6:1	13:1
Agents Assigned:	7	5	6	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	1	2	0	0	1	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts	29
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	11

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 09/16/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
5	8	0	0	13
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>		Total Closed <u>In CY 2011</u>	
0	1		3	

RECOVERY ACT EFFORTS

The OI completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- Regions 2 and 3 – On September 13, 2011 [REDACTED] (b)(6),(b)(7)(C) conducted a briefing at the 2011 Iowa Weatherization Conference hosted by the Iowa Community Action Association (CAA). In attendance were 35 individuals comprising CAA employees, Iowa weatherization officials and weatherization contractors.

OTHER MATTERS

- All agents are reminded to submit copies of IRMs issued as well as the IRM responses to HQ.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

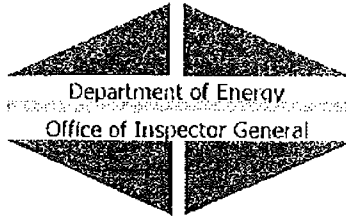
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- P3 Annual Satisfaction Survey** – A survey will be sent to all OI employees on Monday, September 19, 2011. The survey is designed to gather information on how P3 is performing and whether or not P3 is helping to meet the needs of the organization. The survey will take less than 10 minutes to complete. All submissions will be anonymous. The information gathered from the survey will assist P3 in setting FY 2012 priorities.

- **OI Master Calendar** – As a reminder, OI has a Master Calendar of Recurring Activities that is posted to the IGNet under Events/OIG Investigations Calendar (https://igcomm.doe.gov/events_262.cfm). The Master Calendar of Recurring Activities should be used by OI personnel to forecast recurring upcoming events and to plan resources accordingly. The calendar is organized by activities that occur monthly, quarterly, and annually. This is a living calendar of activities and will be updated as additional recurring activities are identified.
- **Travel** – Please note the following travel-related deadlines:
 - Vouchers – ensure vouchers are completed and approved no later than 9/22/11
 - Authorizations – for trips using FY 2011 funds, ensure authorizations are completed and approved no later than 9/29/11
 - Use of FY 2011 Funds – FY 2011 funds may be used for trips if the travel is completed no later than 11/14/11, provided the authorization was approved in GovTrip no later than 9/29/11

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 All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending September 23, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement and Guilty Plea in Purchase Card Fraud Investigations

On September 22, 2011, the U.S. Department of Justice entered into a civil settlement agreement with a former Hanford Site prime contractor. The former contractor agreed to pay \$1.5 million to settle allegations that it violated the False Claims and Anti-Kickback Acts in connection with its role in two OIG investigations involving Hanford Site Government purchase card fraud schemes. The investigations determined that from 2000 to 2008 the former contractor did not implement or carry out adequate internal controls to prevent or detect purchase card fraud committed by several employees, as required by its Department contract. Additionally, on September 20, 2011, a former Department contractor employee pled guilty to two counts of wire fraud in the Eastern District of Washington in connection with one of the schemes, which involved approximately \$487,000 in unauthorized purchases. (I05RL011& I06RL002: [REDACTED])

(b)(6),(b)(7)(C)

2. Investigative Report To Management (IRM) Issued in Employee Misconduct Case

On September 21, 2011, an IRM was issued to the Director, Office of Security Operations; Deputy Administrator, Office of Secure Transportation; and the Director, Office of Scheduling and Advance, as a result of an OIG investigation into allegations of employee misconduct while traveling on official Department business in another country. The IRM made one recommendation for corrective action.

(b)(6),(b)(7)(C)

(I11HQ027: [REDACTED])

3. Sandia National Laboratories Contractor Employee Terminated

On September 21, 2011, a Sandia National Laboratories (Sandia) contractor employee was terminated from employment. The OIG investigation determined that

(b)(7)(A) [REDACTED]
(b)(7)(A) [REDACTED] The
(b)(6), (b)(7)(C) investigation is ongoing. (I11AL020: [REDACTED])

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	44	44	39	42	24	34	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	2	0	4	0	1	1	1
TCS Fraud Case Support:							41
TOTAL:	46	47	43	42	25	35	52
Cases Opened:	0	0	0	3	0	1	0
Cases Closed:	1	0	1	0	0	0	0
Ratio:	6:1	9:1	7:1	7:1	3:1	7:1	13:1
Agents Assigned:	7	5	6	6	7	5	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	2	4	1	1	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 33
Total Hotline Complaints Predicated: 16
Total Referral Letters Issued: 5

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 09/23/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	8	1	1	13
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>	
4	2		4	

RECOVERY ACT EFFORTS

The OI completed 1 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6), (b)(7)(C)
- Region 3 – On September 20, 2011, [REDACTED] conducted a briefing for Ohio's Office of the Auditor of State, which included eight members from their Special Audits Division and Special Investigations Unit.

OTHER MATTERS

- EIGPT will be shut down for the end-of-year conversion at noon, Friday, September 30, 2011. It should be back up on Monday, October 3, 2011. ASACs must ensure all current period semiannual statistics are entered into EIGPT prior to noon, September 30, 2011. Statistics not entered before the shutdown must be entered with an October 2011 date so they can be captured in the next reporting period.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **P3 Annual Satisfaction Survey** – P3's annual satisfaction survey can be accessed at <http://www.surveymonkey.com/s/WQM5NQZ>. Responses are due no later than September 23, 2011. The survey takes less than 10 minutes to complete. All submissions are anonymous. The information gathered from the survey will assist P3 in setting FY 2012 priorities.
- **Travel** – Please note the following travel-related deadlines:
 - Authorizations – for trips using FY 2011 funds, ensure authorizations are completed and approved no later than September 29, 2011.
 - Use of FY 2011 Funds – FY 2011 funds may be used for trips if the travel is completed no later than November 14, 2011, provided the authorization was approved in GovTrip no later than September 29, 2011.

- **CHRIS Work Flow** – ensure your CHRIS Training Work Flow profile is set up as follows:

Step 1: Supervisor

Step 2: P3 Director – [redacted]

Step 3: MA – [redacted]

Step 4: MA – [redacted] (only required when there is a cost associated with the training)

Step 5: MA – [redacted]

To modify/verify your CHRIS Training Work Flow, once in CHRIS select:

- CHRIS Workflow
- Training
- Setup
- Employee Training Workflow profile
- Select the magnifying glass next to each step and select the appropriate name from the list
- Hit save

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Counsel to the Inspector General

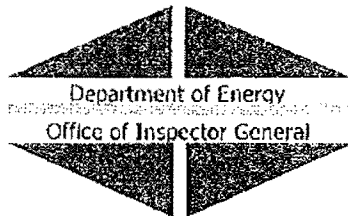
Deputy Inspector General for Audit and Inspections

Assistant Inspector General for Audits

Assistant Inspector General for Inspections

Deputy Inspector General for Management and Administration

All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending September 30, 2011

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SIGNIFICANT ACTIVITY

1. Contractor Reimburses the Department

On August 31, 2011, a Department contractor reimbursed the Department \$133,605 after an OIG investigation determined the funds were spent on unallowable and unsupported contract costs. The investigative findings were reported to the Chicago Operations Office, which led to the contractor agreeing to reimburse the Department.

(b)(6),(b)(7)(C)

(109HQ001: [REDACTED])

2. Senior Department Employee Retires in Lieu of Termination

On August 31, 2011, a senior Department employee retired in lieu of termination after pleading guilty in U.S. District Court for the District of Columbia to charges of theft of Government funds. The OIG investigation determined that the employee submitted and was reimbursed for fraudulent travel vouchers in conjunction with official Department travel. (109HQ005: [REDACTED])

(b)(6),(b)(7)(C)

3. Y-12 Protesters Sentenced

From September 12-21, 2011, 11 individuals with no Department affiliation were sentenced in U.S. District Court for the Eastern District of Tennessee for trespassing on the Y-12 National Security Complex. The sentences ranged from 1 year probation to 8 months incarceration in a Federal penitentiary. As previously reported, 13 individuals were arrested without incident on July 5, 2010, and 12 of these individuals were convicted on May 11, 2011. One individual is awaiting trial and one individual is now deceased. (110OR013: [REDACTED]) (110OR014: [REDACTED])

(b)(6),(b)(7)(C)

4. Former Pantex Plant Contractor Employees Suspended

On September 22, 2011, in response to an Investigative Report to Management (IRM), the Director of the National Nuclear Security Administration's Office of Acquisition and Supply Management, notified the OIG that three former Pantex Plant contractor employees were suspended from doing business with the Federal Government for a period of 3 years. A debarment is pending for each of these individuals. Additionally, in accordance with the IRM recommendation, the Pantex Plant Site Office notified appropriate security clearance personnel of the former contractor employees' actions. As previously reported, the investigation determined the three former contractor employees stole Government property from the Pantex Plant. (I10AL014: [REDACTED])

(b)(6),(b)(7)(C)

5. Two Individuals Indicted for Wire Fraud

On September 22, 2011, a former Department contractor employee and another individual not affiliated with the Department were indicted on five counts of wire fraud. The investigation determined that the individuals embezzled approximately \$42,127 in Department funds for personal use. This is a joint investigation with the

(b)(7)(A)

(I08LV003: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	42	45	37	42	24	35	11
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	45	48	41	42	25	36	52
Cases Opened:	0	1	0	0	0	1	1
Cases Closed:	1	0	2	0	0	0	0
Ratio:	6:1	9:1	6:1	7:1	3:1	6:1	13:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	3	0	2	0	1	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 40
Total Hotline Complaints Predicated: 8
Total Referral Letters Issued: 5

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 09/30/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	7	2	0	12
<u>Cases Completed This Week</u>		<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>
2		0		9

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Emails** – When a case-related email is encrypted, access to the contents of the email is restricted but the subject line is not protected. With this in mind, OI employees should avoid including identifying information in the subject line of case-related emails. To protect against the disclosure of the identities of complainants, witnesses and subjects, the subject line should reference only the relevant case number. For example: "Update: Search on I11HQ001," not "Update: Search of Acme, Inc."

JOYS, CARES, CONCERNS

- **Region 3** – Please join us in congratulating [redacted] on [redacted] well deserved [redacted] recent promotion. Good job [redacted] (b)(6),(b)(7)(C)

ACTION ITEM REPORTS ATTACHED

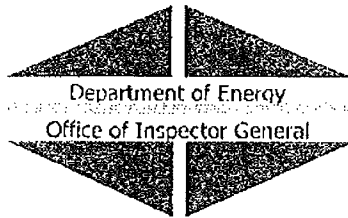
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Travel** – The final day to use FY 2011 Travel funds was Thursday, September 29, 2011. If you identify a travel need during October, which was not funded with FY 2011 funds, please work with your supervisor to ensure that sufficient funds can be made available prior to entering the travel authorization into GovTrip.
- **New Employee Handbook** – OI has posted the New Employee Handbook on IGNet under **Employee Info/Office of Investigations**. The New Employee Handbook has been redesigned and includes expanded information and links that will be helpful to new employees, as well as employees who have been with OI for an extended period.

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WEEKLY ACTIVITY REPORT

Ending October 14, 2011

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SIGNIFICANT ACTIVITY

1. Civil Complaint Filed Against Hanford Site Sub-Contractor Vice President

On October 4, 2011, the OIG was advised that the U.S. Department of Justice (DOJ) filed a civil complaint against a Hanford Site subcontractor vice president on September 30, 2011. The complaint alleges that the [REDACTED] violated the False Claims and Anti-Kickback Acts in connection with [REDACTED] role in two Hanford Site Government purchase card fraud investigations. The investigations found that from 2000 to 2008 the [REDACTED] did not implement or carry out adequate internal controls or meaningful supervision to prevent or detect purchase card fraud committed by company employees and two Hanford Site contractor employees. (I06RL002/I08RL008: [REDACTED])

2. Argonne National Laboratory (Argonne) Sponsor Charged in \$20 Million Fraud

On October 11, 2011, the U.S. Securities and Exchange Commission filed a civil complaint in the U.S. District Court for the Northern District of Illinois against three individuals, not affiliated with Department, alleging they fraudulently raised \$20 million from investors. The complaint alleges that the company misled investors by claiming they had contracts with multiple domestic and international governmental organizations for the use of technology that was not operational. The investigation determined that the individuals made misleading and false statements to investors about weapons of mass destruction detection technology developed, in part, at Argonne. The investigation also found that senior Argonne officials participated in investor presentations. This is a joint investigation with the [REDACTED] (b)(7)(A) [REDACTED] (I07CH002: [REDACTED])

3. Savannah River Subcontractor Employee Terminated

On October 4, 2011, the OIG was informed by the Savannah River Nuclear Solutions (SRNS) that the employment of a subcontractor employee was terminated. The investigation determined that the subcontractor employee submitted a fraudulent lease agreement and false certificates of eligibility in order to demonstrate eligibility for over \$31,000 in per diem that SRNS paid to the subcontractor employee. (I11SR024: [REDACTED])

4. Investigative Report to Management (IRM) Issued in Per Diem Fraud Investigation

On October 3, 2011, an IRM was issued to the Department's Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a former Department subcontractor employee. As previously reported, the U.S. Attorney's Office for the District of South Carolina reached a civil settlement agreement with the former subcontractor for alleged violations of the False Claims Act in connection with claims for per diem reimbursement. The agreement required the former subcontractor employee to pay \$22,290 in settlement. The investigation determined that the subcontractor employee submitted 27 false lodging receipts over a 7 month period in order to obtain inflated per diem reimbursements. A portion of the per diem was funded by the American Recovery and Reinvestment Act.

(b)(6),(b)(7)(C)

(I11SR009:)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	43	45	38	42	24	35	12
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	46	48	42	42	25	36	53
Cases Opened:	2	0	0	0	0	0	1
Cases Closed:	1	0	0	0	0	0	0
Ratio:	6:1	9:1	7:1	7:1	3:1	6:1	13:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	3	1	4	2	0	0	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	63
Total Hotline Complaints Predicated:	24
Total Referral Letters Issued:	15

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 10/14/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	1	0	10
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>
2		0		10

RECOVERY ACT EFFORTS

- (b)(6),(b)(7)(C)
- Region 1 — On September 28, 2011, [REDACTED] presented a Recovery Act briefing to 5 staff members of the State of Michigan and to 25 weatherization professionals at the State's Annual Weatherization Conference held in Mt. Pleasant, MI.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

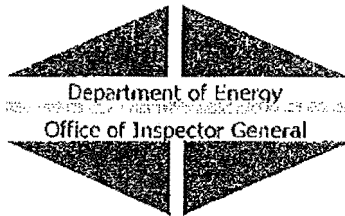
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- ePerformance — ePerformance is the new on-line performance appraisal system that is being implemented for FY 2012 Performance Plans. All OI employees must set up an account for ePerformance no later than October 28, 2011. To set up an account log onto ESS and go to the "Personal Information" tab and select "ePerformance Pilot." Select "Request Access" and follow the instructions for setting up an account. Please note that the login ID is the first initial of your first name (lower case), first 4 letters of your last name (all lower case) and your CHRIS employee ID. You can locate your CHRIS employee ID on ESS under the "Personal Information" tab.

- **Mandatory Training** – All OI employees must complete the **2011 Privacy Awareness Course Annual Training** no later than **October 31, 2011**. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.
- **OI Master Calendar** – As a reminder, OI has a Master Calendar of Recurring Activities that is posted to IGNet under Events/OIG Investigations Calendar (https://igcomm.doe.gov/events_262.cfm). The Master Calendar of Recurring Activities should be used by OI personnel to forecast recurring upcoming events and to plan resources accordingly. The calendar is organized by activities that occur monthly, quarterly and annually. This is a living calendar of activities and will be updated as additional recurring activities are identified.

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WEEKLY ACTIVITY REPORT

Ending October 21, 2011

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SIGNIFICANT ACTIVITY

1. Arrests in Recovery Act Grant Fraud Investigation

On October 11, 2011, a State of Texas Recovery Act grant coordinator (coordinator) and the owner of a subcontractor company (owner) were arrested. Additionally, six search warrants were executed on the residences and associated businesses of the coordinator and owner. The investigation determined that the coordinator and the owner conspired to submit false statements relating to multiple Department Recovery Act grants. The estimated loss to the Department is approximately \$2 million. This is an ongoing joint investigation with the (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

The OIG's

Technology Crimes Section provided support with onsite computer forensic imaging during the execution of the warrants and will conduct the computer forensic analysis of over 20 terabytes of data seized during the search warrants. (I11AL015: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

2. IRM Issued in Per Diem Fraud Investigation

On October 3, 2011, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a former Department subcontractor employee. As previously reported, the former subcontract employee was indicted for fraudulently receiving Recovery Act per diem benefits in excess of \$14,000. The former subcontractor employee pled guilty and is awaiting sentencing. (I10SR003: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

3. Former Department Contractor Employee Indicted

On October 19, 2011, a former Department contractor employee from Oak Ridge National Laboratory was indicted in the Ninth Judicial District of Tennessee for theft of services. The investigation determined that the individual received \$27,707 for work on a classified project that he did not complete. (I10OR017: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

4. Employee Terminated for Misconduct

(b)(6),(b)(7)(C) On October 8, 2011, a Senior Executive Service employee was terminated for misconduct associated with [redacted] Government position. The investigation determined that the individual misused his position by directing the award of subcontracts to a company owned by an individual with whom he had a personal relationship. The investigation is ongoing. (109HQ018: [redacted])

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	42	45	39	42	24	35	12
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	0	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	45	48	43	42	25	36	53
Cases Opened:	0	0	1	1	0	1	0
Cases Closed:	1	0	0	1	0	1	0
Ratio:	6:1	9:1	7:1	7:1	3:1	6:1	13:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	3	3	3	3	0	1	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	174
Total Hotline Complaints Predicated:	14
Total Referral Letters Issued:	2
Positive Outcome:	1

HOTLINE POSITIVE OUTCOME

- The OIG received an allegation that a contractor manager at the Hanford facility misrepresented progress reports so that corporate employees would receive performance bonuses. In response to an OIG referral, Department management identified inconsistencies between the contractor's data logs and the program office's progress reports. It was determined that the contractor manager did not receive any personal incentive or explicit benefit based on the misrepresentations. However, management implemented procedures to prevent future reporting inconsistencies. (111RS044: [redacted])

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 10/21/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	1	0	10
<u>Cases Completed This Week</u>		<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>
0		0		10

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Region 5 – On October 18, 2011, DIGI John Hartman visited the Livermore Investigations Office. During his visit, DIGI Hartman met with investigators to discuss specific investigations and also met with other OIG staff from the office.

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

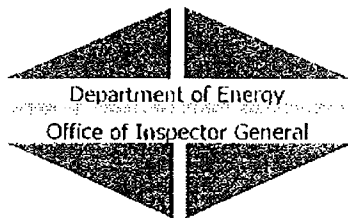
- **Mandatory Training** – All OI employees must complete the 2011 Privacy Awareness Course Annual Training no later than October 31, 2011. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.

- **CHRIS** – All Office of Investigations employees must notify (b)(6),(b)(7)(C) of the status of any training entered into CHRIS (e.g., completed, cancelled, and rescheduled). The information will be used to update employees' training records.

- **Time and Attendance** – The established core hours for the OIG are between 9:00 a.m. and 3:00 p.m. During these hours employees must be present at work or account for periods of absence with leave, credit hours, or compensatory time off. In addition, employees are not permitted to start their regular workday, to include credit hours or compensatory time off prior to 6:30 a.m. and are not permitted to end their regular workday after 6:30 p.m.

DISTRIBUTION

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending October 28, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- Termination Letter Issued in Grant Fraud Investigation

On October 27, 2011, the Department issued a termination letter to a recipient of a \$1.1 million Energy Efficiency and Conservation Block Grant, which includes Recovery Act funds. The termination letter was issued for serious mismanagement and misuse of financial assistance award funds. The Department issued the letter after reviewing grant recipient documents obtained by the OIG during the course of an investigation. The documents revealed the recipient failed to follow approved procurement policies and procedures, incurred unallowable costs and pursued activities beyond the approved scope of work. This ongoing investigation is being worked jointly with the (b)(7)(A) (I10CH011: (b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	42	45	39	42	23	35	12
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	45	48	43	42	24	36	53
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	0	0	0	1	0	0
Ratio:	6:1	9:1	7:1	7:1	3:1	6:1	13:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	0	1	0	0
Agents on TDY:	1	2	1	0	1	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 196
Total Hotline Complaints Predicated: 10
Total Referral Letters Issued: 9
Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 10/28/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	10	1	0	12
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>In CY 2011</u>
1		1		10

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefings over the past week, as follows:

(b)(6), (b)(7)(C)

- Region 2— On October 20, 2011, [REDACTED] presented a briefing to officials from North Carolina's (NC) Department of Commerce who are responsible for overseeing the Department's Weatherization Assistance Program (WAP). Those in attendance during the briefing were the Assistant Secretary for Energy for the NC Department of Commerce; the NC Director of WAP; and the NC General Counsels for both Recovery Act and non-Recovery Act WAP matters.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

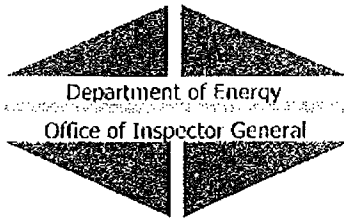
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All OI employees must complete the **2011 Privacy Awareness Course Annual Training** no later than **October 31, 2011**. The course is available on OLC² (<https://olc2.energy.gov>) and appears in the "New Items" section located at the bottom right-hand side of the OLC² Welcome page.
- **Use or Lose Leave** – All OI employees must schedule "lose or use" annual leave no later than November 18, 2011.

DISTRIBUTION

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Deputy Inspector General for Audit and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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WEEKLY ACTIVITY REPORT

Ending November 4, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Funds Returned to the Department in Grant Fraud Investigation

On October 26, 2011, the OIG was informed that an Energy Efficiency and Conservation Block Grant recipient returned \$2,491,090 to the Department. The grant funds were awarded under the American Recovery and Reinvestment Act (ARRA) and were returned because it was determined that the grantee intended to use the funds for activities beyond the approved scope of work. An OIG investigation determined that the recipient failed to produce proper substantiation for the funds despite repeated requests from Department program staff. This was a joint investigation with the (b)(7)(A) (111CH004: (b)(6),(b)(7)(C)

2. Civil Lawsuit Filed Against Three Former Department Contractor Employees

On October 31, 2011, the Civil Division of the U.S. Attorney's Office for the Eastern District of Washington filed a civil complaint charging three Hanford Site contractor employees for violations of the False Claims and Anti-Kickback Acts. An OIG investigation determined that the three individuals, along with several other contractor employees, (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

(b)(6),(b)(7)(C)

(109RL001: (b)(6),(b)(7)(C)

3. Three Department Employees Disciplined in Response to an Investigative Report to Management (IRM)

On October 21, 2011, the Director of the Office of Security Operations; the Director of the Office of Scheduling and Advance; and the Deputy Assistant Administrator of the Office of Secure Transportation responded to an IRM. In summary, one employee was suspended and two were reprimanded. An OIG investigation determined that the three Department employees engaged in inappropriate conduct while on official overseas Department travel. (111HQ027: (b)(6),(b)(7)(C)

4. Former Subcontractor Employee Debarred

On November 3, 2011, the Office of Procurement and Assistance Management notified the OIG of the debarment of a former subcontractor employee from doing business with the Federal Government for a period of 3 years. As previously reported, the former subcontractor employee pled guilty to one count of false statements and was sentenced to 5 years probation and ordered to pay \$44,415.00 in restitution. An OIG investigation determined that the former subcontractor employee falsified 5 per diem eligibility certifications in order to receive \$44,415.00 in ineligible ARRA funded per diem payments. (110SR003 [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	40	45	40	42	22	35	12
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	43	48	44	42	23	36	53
Cases Opened:	0	0	1	0	0	0	0
Cases Closed:	3	0	0	0	1	0	0
Ratio:	6:1	9:1	7:1	7:1	3:1	6:1	13:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	0	1	0	0
Agents on TDY:	0	2	3	4	0	0	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	123
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	7
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 11/04/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	10	1	0	12
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>In CY 2011</u>
0		0		10

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- OI employees are reminded to submit inquiries, requests for information, Hotline complaints, etc. to all three operations officers. This will help ensure a timely response.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) OI extends a fond farewell to (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) has been with OI's Savannah River (b)(6),(b)(7)(C) office since May 3, 1992. (b)(6),(b)(7)(C) has accepted a position with the U.S. Department of (b)(6),(b)(7)(C) Defense and (b)(6),(b)(7)(C) last day with OI will be Friday, November 4, 2011. (b)(6),(b)(7)(C) will be (b)(6),(b)(7)(C) missed by all of the OI family. We wish (b)(6),(b)(7)(C) the best of luck and hope (b)(6),(b)(7)(C) comes (b)(6),(b)(7)(C) back to visit often.

ACTION ITEM REPORTS ATTACHED

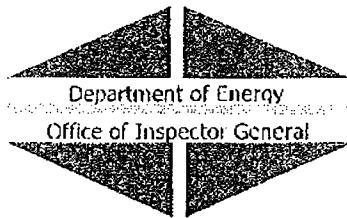
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **FY 2012 Performance Plans** – All OI employees need to acknowledge their FY 2012 Performance Plan in ePerformance by no later than 11/10/11. Over the next several days employees will receive two separate emails from ePerformanceAdmin@agency.gov. The first email will require the employee to review the performance plan and release it to the rating official. The second email will require the employee to provide an e-signature on the performance plan. Employees must complete both steps to finalize the FY 2012 Performance Plan.
- **Training** – OI employees should enter all training classes into CHRIS. CHRIS serves as DOE OIG's system of record for employee training. Training should be entered into CHRIS prior to the date the training is taken. Training entered into CHRIS after the date of the training must be entered no later than 30 days after the start date of the training class.

DISTRIBUTION

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WEEKLY ACTIVITY REPORT

Ending November 18, 2011

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SIGNIFICANT ACTIVITY

1. Former State Recovery Act Official Indicted

On November 15, 2011, a former State of Texas Recovery Act Grant Coordinator (Coordinator) was indicted by the Travis County District Attorney's Office for document fraud. As previously reported, the investigation determined the former Coordinator conspired with the owner of a subcontractor company to submit false statements to obtain Recovery Act funds. The estimated loss to the Department is approximately \$2 million. This is an ongoing joint investigation between several State and Federal agencies. (111AL015: [REDACTED]) (b)(6), (b)(7)(C)

2. Search Warrant Served in Access Device Fraud Investigation

(b)(7)(A) [REDACTED]

(b)(7)(A) [REDACTED] This is ongoing joint investigation with the (b)(7)(A) [REDACTED] (111AL013: [REDACTED])

(b)(6), (b)(7)(C)

3. Civil Judgment in Workers' Compensation Fraud Investigation

On November 7, 2011, in U.S. District Court for the Middle District of Tennessee, a Civil Judgment for \$125,000 was entered against an individual with no Department affiliation. The investigation determined that the individual submitted an unauthorized claim for receipt of a \$125,000 death benefit under the Energy Employees' Occupational Illness Compensation Program Act after [REDACTED] the [REDACTED] authorized recipient, had died. (107RL011: [REDACTED]) (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

4. Former Department Contractor Employee Pled Guilty to Conspiracy to Submit False Timecards

On November 3, 2011, in U. S. District Court for the Eastern District of Washington, a former Department contractor employee pled guilty to one count of conspiracy to defraud the Government. The investigation determined that between May 2004 and October 2008 the former Department contractor employee, and other Department contractor employees, had routinely submitted timecards falsely claiming and receiving pay for hours they had not worked. The former contractor employee may be sentenced up to 12 months in prison and 2 years of supervised probation. The employee also agreed to pay restitution in the amount of at least \$50,000.

(b)(6),(b)(7)(C)

(108RL007: [REDACTED])

5. Judicial Actions in Savannah River Site Per Diem Investigations

On October 28, 2011, a former Department subcontractor employee entered into a Pretrial Diversion Agreement with the U.S. Attorney's Office for the District of South Carolina. The terms of the Pretrial Diversion Agreement required \$9,017 in restitution. In a related investigation, another former Department subcontractor employee was sentenced in U.S. District Court for the District of South Carolina on November 15, 2011, for fraudulently receiving per diem benefits while working at the Savannah River Site. The former subcontractor employee was sentenced to 5 years probation and ordered to pay \$45,288 in restitution. As previously reported in both investigations, the individuals were indicted and one pled guilty to fraudulently receiving per diem benefits by falsifying per diem eligibility certifications. (110SR008 & 110SR015: [REDACTED])

(b)(6),(b)(7)(C)

6. Settlement Agreement in Defective Body Armor Investigation

On November 3, 2011, U.S. Bankruptcy Court for the District of Delaware approved a settlement agreement entered into on October 27, 2011, by the U.S. Department of Justice (DOJ) and a corporation involved in the manufacture and sale of defective Zylon body armor sold to the U.S. Government. The corporation previously agreed to pay \$1,000,000 to avoid claims concerning its manufacture and sale of defective Zylon body armor to the U.S. Government. This part of the investigation focused on allegations that the company either knew of, or recklessly disregarded the defective nature of Zylon and actively marketed and sold it to the U.S. body armor industry. This is an ongoing investigation by the (b)(7)(A) [REDACTED] and several other Federal law enforcement agencies. (104OR010: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	38	45	38	42	23	35	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							39
TOTAL:	41	48	42	42	24	36	49
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	1	0	0	1	0	0	3
Ratio:	5:1	9:1	7:1	7:1	3:1	6:1	12:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	2	2	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	259
Total Hotline Complaints Predicated:	24
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 11/18/2011

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	8	1	2	12
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>	
0	0		10	

RECOVERY ACT EFFORTS

The Office of Investigations completed 7 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 4 – On November 7-9, 2011, [redacted] and (b)(6),(b)(7)(C) [redacted] conducted a total of six briefings. The briefings were attended by approximately 70 Los Alamos National Security, LLC, and Department quality assurance, receiving, engineering, craftsmen and line management personnel.
- (b)(6),(b)(7)(C) • TCS – On November 9, 2011, [redacted] conducted a briefing for seven individuals from Argonne National Laboratory (ANL), including the Deputy Chief Information Officer and Cyber Security Officer for ANL.

OTHER MATTERS

- **Mailing Case Related Documents** – When mailing case-related documents to Headquarters or other locations, the sender must take the following steps:
 - Include a Case Document Material Transmittal Slip Form with the material being mailed (See Chapter 6 of the Investigations Manual for a copy of the form);
 - Send the material via "Registered Mail-Return Receipt Requested" or "Certified Mail-Return Receipt" by the U.S. Postal Service;
 - Notify the recipient the package is being mailed and request that the recipient acknowledge receipt of the package via email;
 - Maintain a copy of the Case Document Material Transmittal Slip Form and tracking documentation until the recipient has confirmed receipt of the package; and
 - Contact the recipient and, if necessary, the U.S. Postal Service within 3 days of mailing the package if the recipient has not reported receiving the package.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • Region 5 & Hotline – On November 10, 2011, [redacted] and (b)(6),(b)(7)(C) [redacted] successfully completed the Basic Criminal Investigator Training Program at the Federal Law Enforcement Training Center in Glynco, GA. (b)(6),(b)(7)(C) [redacted] earned Academic and Driving Awards. (b)(6),(b)(7)(C) [redacted] earned the Sharp Shooter and Distinguished Fitness Awards. (b)(6),(b)(7)(C) [redacted] performed the benediction at the graduation ceremony. Congratulations on their accomplishments.
- (b)(6),(b)(7)(C) • Region 4 – Congratulations to [redacted] for winning the Council of the Inspectors General on Integrity and Efficiency Award for Excellence in a Multi-Agency Investigation.

ACTION ITEM REPORTS ATTACHED

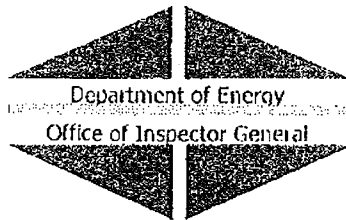
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **CHRIS** – CHRIS training requests must include information on the vendor/entity that is providing the training. The vendor's name, address, city, state and zip code must be provided for each training request. This requirement applies even if the entity that is providing the training is DOE or DOE OIG. In these instances, indicate that the vendor is DOE or DOE OIG and provide the address for the organization (e.g., 1000 Independence Avenue, S.W., Washington, DC 20585). Failure to enter the vendor information will result in the training request being recycled.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending December 2, 2011

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SIGNIFICANT ACTIVITY

1. Indictment in Recovery Act Grant Fraud Investigation

On November 15, 2011, a former Texas State employee was indicted by the Travis County Grand Jury for fraud. As previously reported, the investigation determined the former employee, along with the owner of a Department subcontractor company, conspired to submit fraudulent documents and false claims to the Department to obtain approximately \$2 million in Recovery Act funds to build windmills. This is an ongoing joint investigation between several State and Federal agencies. (I11AL015:

(b)(6),(b)(7)(C)

2. Former Weatherization Contractor Charged in Overbilling Fraud

On November 23, 2011, the California Attorney General's Office filed a criminal complaint against a former Director of a non-profit corporation. The investigation determined that the former Director submitted inflated claims for payment to the State of California on Department and U.S. Department of Health and Human Services-funded weatherization contracts. The former Director was charged with 49 counts of fraud totaling \$337,501 in overbilling. An arrest warrant has also been issued for the former Director. This is a joint investigation with the (b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(I10LL005:

3. Information Filed in Timecard Fraud Investigation

On November 21, 2011, in U.S. District Court for the Eastern District of Washington, an information was filed charging a former Department contractor employee with one count of conspiracy to defraud the Government. The investigation determined that between May 2004 and October 2008, the former Department contractor employee, and other Department contractor employees, routinely submitted timecards falsely claiming and receiving pay for hours they had not worked. (I08RL007: (b)(6),(b)(7)(C)

4. Guilty Plea and Sentencing in Copper Theft Investigation

On November 17, 2011, an individual with no Department affiliation pled guilty in Morgan County District Court, Colorado, for criminal violations related to theft of copper from the Western Area Power Administration's Hoyt substation. The individual was sentenced to 3 years incarceration and 2 years of mandatory parole. A determination of restitution is pending. This is a joint investigation with the (b)(7)(A)

(b)(7)(A)

(b)(6),(b)(7)(C)

(I10DN004: [REDACTED])

5. Pretrial Diversion Agreement in Per Diem Investigation

On November 29, 2011, the U.S. Attorney's Office for the District of South Carolina notified the OIG that a former Department subcontractor employee entered into an 18 month Pretrial Diversion Agreement. As previously reported, a Federal grand jury in the District of South Carolina indicted the former employee on one count of theft of Government funds and one count of conspiracy. The investigation determined that the former subcontractor employee created a fraudulent lease agreement to aid a co-conspirator in receiving unauthorized per diem while working at the Savannah River Site. The co-conspirator was previously sentenced to 5 years probation and ordered to make restitution. (I10SR008: [REDACTED])

(b)(6),(b)(7)(C)

6. Individual Sentenced for Possession of Child Pornography

On November 21, 2011, an individual with no affiliation to the Department was sentenced in U.S. District Court of Idaho to 6 years incarceration and 10 years of supervised release. The individual will also be required to register as a sex offender. The individual had previously pled guilty to one count of possession of sexually exploitative material of children. The investigation was initiated upon receipt of allegations that an information technology employee at Idaho National Laboratory may have been involved in downloading and distributing child pornography. Further investigation exonerated the employee but determined that the employee's roommate, with no Department affiliation, was the person responsible. (I10IF005: [REDACTED])

(b)(6),(b)(7)(C)

7. Actions in Weatherization Fraud Investigation

On November 23, 2011, two senior members of a Community Action Program in Rhode Island were terminated from employment (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

A third senior member was suspended from employment. This is an ongoing joint investigation between State and Federal agencies. (I10PT011: [REDACTED])

(b)(6),(b)(7)(C)

8. Former SLAC National Accelerator Laboratory Employee Debarred

On November 23, 2011, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management debarred a former SLAC National Accelerator Laboratory employee from doing business with the Government for a period of 3 years. As previously reported, the former employee pled guilty to one count of willful injury and depredation of Government property. The investigation determined that the former employee intentionally destroyed 5,000 protein crystals utilized for scientific research at SLAC National Accelerator Laboratory by removing them from subzero storage. The estimated loss to the Government was approximately \$500,000. This was a joint investigation with the

(b)(6),(b)(7)(C)

(b)(7)
(A)

(109LL005: [REDACTED])

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	38	46	39	40	23	36	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	41	49	43	40	24	37	50
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	1	0	0	1	0	0	0
Ratio:	5:1	9:1	7:1	6:1	3:1	6:1	12:1
Agents Assigned:	7	5	6	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	0	0	2	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	289
Total Hotline Complaints Predicated:	38
Total Referral Letters Issued:	11
Positive Outcomes:	3

HOTLINE POSITIVE OUTCOMES

- The OIG was advised of potential procurement irregularities relating to the cancellation of the National Energy Technology Laboratory's (Laboratory) pre-solicitation for professional exam preparation. In response to an OIG referral, the Department conducted a review, which determined that the pre-solicitation was cancelled after Laboratory officials learned that the Department has a nationwide master contract, which offered the required training. As a corrective action, the

Laboratory requested a list of current master contracts and any other strategic sourcing arrangements that may be available for Laboratory use. (I11RS079: [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

- The Recovery Accountability Transparency Board advised the OIG of a questionable subcontract award to a Connecticut-based company doing business at the Department's Idaho Operations Office. Specifically, a company official certified that the business had not defaulted on a Federal contract despite information to the contrary in the Federal Procurement Data System. In response to an OIG referral, Department management coordinated this matter with a contracting officer for the General Services Administration (GSA). GSA confirmed that the information in the Federal Procurement Data System was in error and would be corrected. (I11RS076: [redacted])

(b)(6),(b)(7)(C)

- A New Hampshire resident complained to the OIG about substandard weatherization work performed by a local community action agency and its contractors. In response to an OIG referral, the Department's Office of Energy Efficiency and Renewable Energy worked with State officials to address the concerns raised. (I11RR172: [redacted])

(b)(6),(b)(7)(C)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 12/02/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	9	1	0	11
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>		Total Closed <u>In CY 2011</u>	
1	0		11	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

ACTION ITEM REPORTS ATTACHED

- None

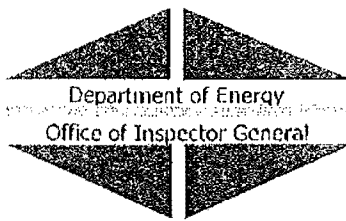
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Performance Awards** – FY 2011 cash and time off performance awards will be included in the December 15, 2011 pay check.
- **All Staff Meeting** – Subject to the availability of funds, the Office of Investigations is planning to hold an All Staff meeting the week of April 30–May 4, 2012. Employees should mark this date on their calendars and work to avoid any conflicts with the date. The location of the All Staff meeting will be announced shortly.
- **CHRIS**

- All OI employees must notify [REDACTED] of the status (e.g., completed, cancelled, rescheduled) of any training entered into CHRIS. The information will be used to update employees' training records.
- CHRIS training requests must include information on the vendor/entity that is providing the training. The vendor's name, address, city, state and zip code must be provided for each training request. This requirement applies even if the entity that is providing the training is DOE or DOE OIG. In these instances, indicate that the vendor is DOE or DOE OIG and provide the address for the organization (e.g., 1000 Independence Avenue, SW, Washington, DC 20585). Failure to enter the vendor information will result in the training request being recycled.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending December 8, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement in Fire Investigation

On December 2, 2011, the U.S. Department of Justice (DOJ) entered into a civil settlement agreement with an Idaho National Laboratory (INL) subcontractor. The subcontractor agreed to pay \$270,000 to settle allegations that it violated Fire Trespass Laws and was negligent in its maintenance of vehicles. The investigation determined that a fire was caused by an equipment failure on a dump truck owned by the subcontractor. The fire burned approximately 13,000 acres on the INL site and approximately 36 acres of (b)(7)(A) land. This is a joint investigation with (b)(7)(A) (I11IF002: (b)(6),(b)(7)(C)

2. Savannah River Nuclear Services (SRNS) Subcontractor Employee Terminated

On December 1, 2011, the OIG was informed that SRNS terminated a subcontractor employee for making false statements regarding per diem benefits. During the OIG investigation, the employee admitted to making false statements to SRNS in order to receive per diem benefits. The investigation is ongoing. (I11SR026: (b)(6),(b)(7)(C)

3. Investigative Report to Management (IRM) in Theft of Funds

On December 2, 2011, an IRM was issued to the Director, Office of Procurement and Assistance Management with recommendations for suspension and debarment of a former Federal Energy Regulatory Commission (FERC) sub-recipient. As previously reported, the investigation determined that employees at a non-profit organization created a false billing scheme. The scheme diverted FERC funds to multiple individuals and companies for work that was not performed. The owner of several sub-recipient companies pled guilty to 1 count of mail fraud for his participation in the scheme and was sentenced to 18 months probation or until the completion of 150 hours of community service. (I04HQ002: (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	38	45	40	40	23	36	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	41	48	44	40	24	37	50
Cases Opened:	0	0	1	0	0	0	0
Cases Closed:	0	1	0	0	0	0	0
Ratio:	5:1	9:1	6:1	6:1	3:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	5	0	2	1	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	170
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	16
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 12/08/2011

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	8	1	0	11
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>	
1	0		11	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- (b)(6), (b)(7)(C) • Region 3 – On December 2, 2011, [REDACTED]
(b)(6), (b)(7)(C) [REDACTED] provided a fraud awareness briefing to URS | CH2M Oak Ridge LLC (UCOR), the new environmental management contractor at the Department's East Tennessee Technology Park. Approximately 20 of UCOR's key management staff attended the presentation as well as representatives from the Department's Oak Ridge Office.

JOYS, CARES, CONCERNS

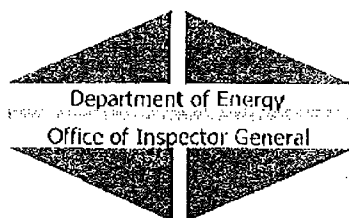
- Region 4 – OI received a Special Commendation Award from the DOJ, Civil Division, for the outstanding work performed by [REDACTED] and [REDACTED] (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) [REDACTED] during the IT Fees Investigation.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Closed Case Files – All requests for access to closed case files maintained at Headquarters should be sent to P3 staff members [REDACTED] (b)(6)
(b)(6) [REDACTED]
(b)(6) [REDACTED] Please continue to send all closed case files to [REDACTED] (b)(6), (b)(7)(C) in accordance with the OI Manual, Chapters 6 and 12.
- Travel – Absent extenuating circumstances, OIG employees are not authorized to use non-refundable tickets. An OIG analysis showed that the use of non-refundable tickets is not advantageous to OIG. If there is a specific need to use a non-refundable ticket, the traveler's SAC must coordinate the request with the P3 Director.

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WEEKLY ACTIVITY REPORT

Ending December 16, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Department Contractor Employee Debarred

On December 14, 2011, in response to an IRM, the Department's Office of Procurement Management debarred a former Department contractor employee. The investigation determined that the employee used Government-funded purchase cards in a conspiracy with (b) (6), (b) (7)(C) spouse, the owner of a Department supply company, to embezzle \$487,000 from the Department. As previously reported, the supply company owner was sentenced in Federal District Court in Eastern Washington to 366 days incarceration and 3 years probation. The spouse was also ordered to pay \$487,000 in restitution to the Department. (I05RL011: [REDACTED] (b)(6), (b)(7)(C)

2. Investigative Report to Management (IRM) Issued to Oak Ridge Office (ORO)

On December 13, 2011, an IRM was issued to the ORO manager with a recommendation for corrective action regarding the current prime contractor at the Department's East Tennessee Technology Park (ETTP). The investigation, which was initially opened to examine allegations of purchase card fraud, determined that the former and current prime contractors at ETTP did not properly maintain property management and accountability controls, and had not effectively utilized an available electronic management system. (I11OR005: [REDACTED] (b)(6), (b)(7)(C)

3. Department Employee Sentenced in U.S. District Court

On December 12, 2011, the director of a headquarters program office was sentenced to 6 months probation in U.S. District Court for the District of Columbia for conversion of public money. (b)(6), (b)(7)(C) was also ordered to pay restitution to the Department, a fine and a special assessment fee. The investigation determined that the employee submitted and was reimbursed for fraudulent travel vouchers in connection with official Department travel. (I09HQ005: [REDACTED] (b)(6), (b)(7)(C)

4. Former Savannah River Subcontractor Employee Debarred

On December 6, 2010, in response to an IRM, the Department's Office of Procurement Management notified the OIG that a former subcontractor employee at the Savannah River Site was debarred. As previously reported, the U.S. Attorney's Office in the District of South Carolina reached a \$22,290 civil settlement with the subcontractor employee in relation to the subcontractor's submission of 27 fraudulent lodging receipts over a 7 month period. (I11SR009:)

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	38	44	41	41	23	36	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							40
TOTAL:	41	47	45	41	24	37	50
Cases Opened:	0	1	1	1	0	0	0
Cases Closed:	0	2	0	0	0	0	0
Ratio:	5:1	9:1	6:1	6:1	3:1	6:1	12:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	2	2	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	148
Total Hotline Complaints Predicated:	9
Total Referral Letters Issued:	9
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA):

Status as of COB 12/16/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	1	0	11
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>	
1	1		12	

RECOVERY ACT EFFORTS

The Office of Investigations completed 2 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 3 – On December 12-13, 2011 [REDACTED]
- (b)(6),(b)(7)(C) [REDACTED] provided two briefings at the 2011 National Weatherization Conference in New Orleans, LA, to approximately 515 people. The attendees included various Department and State weatherization personnel, as well as personnel from community action agencies from across the U.S.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) • On December 14, 2011 [REDACTED] announced [REDACTED] retirement effective (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) December 31, 2011. [REDACTED] has been the "voice" of the OIG Hotline for over a decade.
(b)(6),(b)(7)(C) We wish [REDACTED] well. [REDACTED] will be missed!

POLICY, PLANS AND PROGRAMS (P3) UPDATES

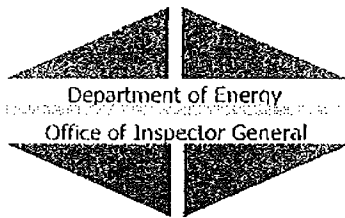
- **Requests for Closed Case Files** – Any outside requests to OI staff for access to OIG closed case files must be directed to P3. This includes, for instance, a local DOE attorney requesting access to a closed case file in connection with litigation or an OPM investigator seeking access for a background investigation. OI staff should not confirm/deny the existence of such records. P3 will communicate with the requestor, obtain the request in writing, confirm whether or not such records exist, and arrange access, if permitted.

(b)(6)

- **CLEAR** – CLEAR works directly with i2's Analyst Notebook application and users can easily export data from the CLEAR Workspace to Analyst Notebook with the simple push of a button. This allows users to seamlessly integrate CLEAR's data with investigative information and apply the analytic capabilities of i2. To find out how, contact [REDACTED]
- **New Employee Handbook** – OI has posted the New Employee Handbook on IGNet under **Employee Info/Office of Investigations**. The New Employee Handbook has been redesigned and includes expanded information and links that will be helpful to new employees, as well as employees who have been with OI for an extended period.

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WEEKLY ACTIVITY REPORT

Ending December 23, 2011

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Indictments in Purchase Card Fraud Investigation

On December 20, 2011, a Federal grand jury in the Eastern District of Washington returned a true bill on a nine-count indictment charging the owner of a former Department vendor and a vendor employee with violations of the Anti-Kickback Act, conspiracy to violate the Anti-Kickback Act and mail fraud. The investigation determined that on multiple occasions between 2005 and 2008, the individuals provided kickbacks to at least 14 material coordinators employed at the Hanford Site. In return for these kickbacks, the material coordinators conducted more than \$3.5 million in business with the vendor. (I09RL001: [REDACTED]) (b)(6),(b)(7)(C)

2. Search Warrant Obtained for Theft of Personally Identifiable Information

(b)(7)(A) [REDACTED]

(b)(7)(A) [REDACTED] This is a joint investigation with the Federal Bureau of Investigation. (I12OR004: [REDACTED]) (b)(6),(b)(7)(C)

3. Former Savannah River Site Subcontractor Employee Sentenced

On December 14, 2011, a former subcontractor employee at the Savannah River Site was sentenced in the U.S. District Court for the District of South Carolina to 3 years probation and ordered to pay \$25,099 in restitution. As previously reported the investigation determined that that the subcontractor employee falsely claimed multiple permanent residence addresses and submitted fictitious lease agreements in order to receive per diem. A portion of the fraudulently obtained per diem monies was funded by the Recovery Act. (I10SR013: [REDACTED]) (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	37	44	44	41	23	36	8
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	4	0	4	0	1	1	1
TCS Fraud Case Support:							43
TOTAL:	41	47	48	41	24	37	52
Cases Opened:	0	0	3	0	1	0	0
Cases Closed:	0	0	0	0	1	0	1
Ratio:	5:1	9:1	6:1	6:1	3:1	6:1	13:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	1	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	113
Total Hotline Complaints Predicated:	6
Total Referral Letters Issued:	3
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- The OIG received an allegation that a Florida company was improperly using the Department's seal to advertise a free dinner for individuals attending a home energy presentation. In response to an OIG referral, Department management contacted a company representative about the misuse and instructed the individual that all future requests for use of the seal must come through the Department.

(b)(6), (b)(7)(C)

(I11RR201:)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 12/23/2011

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	1	0	11
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>		Total Closed <u>in CY 2011</u>	
0	0		12	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The Council of the Inspectors General on Integrity & Efficiency (CIGIE) recently issued an updated *Quality Standards for Investigations* (QSI). The standards and principles in this document provide a framework for conducting high-quality investigations for all OIGs in the community. The QSI categorizes investigative standards as General and Qualitative. General Standards address qualifications, independence, and due professional care. Qualitative Standards focus on investigative planning, execution, reporting, and information management. All OI employees should familiarize themselves with the updated QSI, which can be found here: <http://www.ignet.gov/pande/inv1.html>

JOYS, CARES, CONCERNS

- Deputy Inspector General for Investigations John Hartman received a letter of commendation from DOJ's Civil Division regarding [REDACTED] (b)(6), (b)(7)(C)
[REDACTED] (b)(6), (b)(7)(C) Specifically, the Civil Division expressed thanks for the "superior work and extraordinary effort" by these SAs as well as the OIG's dedication to the purchase card cases. Congratulations to [REDACTED] (b)(6), (b)(7)(C)

Additionally, the Travis County District Attorney's Office (Texas) commended the efforts of [REDACTED] (b)(6), (b)(7)(C) for their work during an ongoing investigation involving the alleged misuse of Department Recovery Act funds. The District Attorney's Office praised the "skilled and professional performance" of [REDACTED] (b)(6), (b)(7)(C) as well as other members of the team during the recent execution of search and arrest warrants. TCS [REDACTED] (b)(6), (b)(7)(C)

[REDACTED] (b)(6), (b)(7)(C) have been an integral part of the investigation.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **CHRIS Work Flow** – ensure your CHRIS Training Work Flow profile is set up as follows:

Step 1: Supervisor

Step 2: (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

Step 3: MA –

Step 4: MA –

the training)

(only required when there is a cost associated with

(b)(6),(b)(7)(C)

Step 5: MA –

To modify and verify your CHRIS Training Work Flow, once in CHRIS select:

- CHRIS Workflow
- Training
- Setup
- Employee Training Workflow profile
- Select the magnifying glass next to each step and select the appropriate name from the list
- Hit save

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All Office of Investigations Employees

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 12/14/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	10	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	5	

RECOVERY ACT EFFORTS

The Office of Investigations completed 3 Recovery Act-related awareness briefings over the past week, as follows:

- Region 5 – On December 5 and 6, 2012 [REDACTED] conducted three (b)(6), (b)(7)(C) briefings to a total of 36 senior administrators and staff scientists at the Special Technologies Laboratory in Santa Barbara, CA.
- (b)(6), (b)(7)(C) Region 5 – On December 11, 2012 [REDACTED] conducted a briefing to approximately 70 Lawrence Livermore National Laboratory security officers, to include managers.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

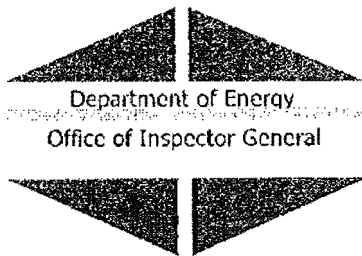
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Complaint Form** – The revised Complaint Form was issued on November 14, 2012, and is now available on the IGNet under Procedures/IG Forms & Templates/Hotline Forms.

Please contact (b)(6) [REDACTED] if you do not have a username and password for the IGNet.

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WEEKLY ACTIVITY REPORT

Department of Energy
Office of Inspector General

Ending December 21, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- Investigative Report to Management (IRM) Issued in Theft of Property Investigation**

On December 18, 2012, an IRM was issued to the Director, Office of Procurement and Assistance Management, recommending suspension and debarment action against a former Department contractor employee. As previously reported, the individual pled guilty to theft falsifying timesheets, was sentenced to 3 years probation, and agreed to pay \$20,000 in restitution to the Department. (I10OR017:

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	46	42	39	25	28	10
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							3
TOTAL:	40	47	46	39	25	30	14
Cases Opened:	0	0	0	1	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	5:1	5:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	0	0	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 99
Total Hotline Complaints Predicated: 7
Total Referral Letters Issued: 13
Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 12/21/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	10	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
0	0	0	5	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

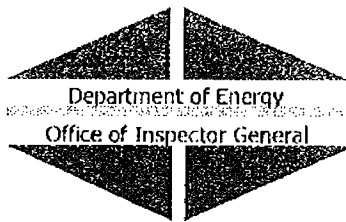
- **Managers Meeting** – The next managers meeting will occur February 26-28, 2013, in Tampa, FL. All GS-14s and above are invited and will travel on February 25 and March 1, 2013. The agenda for this meeting is currently in development. All OI personnel are encouraged to submit suggestions for the agenda. Suggestions should be submitted to (b)(6).(b)(7)(C) [REDACTED]

Mandatory Training – All OI employees must complete the 2012 Federal Employee Occupational Safety and Health (FEOSH) Safety training no later **January 31, 2013** (The Course ID: FEOSHEmp2012). The course is available at the Online Learning Center (OLC) and is listed in your To-Do-List on the Welcome Page. The course may also be accessed in the News Link section on OLC under New and Featured Course.

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Document Number 7



WEEKLY ACTIVITY REPORT

Ending January 6, 2012

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SIGNIFICANT ACTIVITY

1. Arrest in Western Area Power Administration (WAPA) Theft

On December 22, 2011, the OIG arrested an individual with no Department affiliation for theft of Government property and subsequently executed a search warrant on the individual's storage unit located in Denver, CO. The investigation determined that on December 12, 2011, the individual and an accomplice burglarized a WAPA electrical substation located in Sterling, CO, and stole several items, including a vehicle. The OIG recovered most of the property, which has been valued at approximately \$100,000. This is joint investigation with the (b)(7)(A)

(b)(7)(A)

(I12DN005: [redacted])

(b)(6), (b)(7)(C)

2. Actions in Purchase Card Fraud Investigation

On December 20, 2011, in the U.S. District Court for the Eastern District of Washington State, a Federal grand jury returned a true bill on a nine count indictment charging two Hanford site employees with multiple criminal violations. In addition, on December 23, 2011, another Hanford Site employee entered into a civil agreement and was ordered to pay \$11,000 in restitution. The investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for these kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (I09RL001: [redacted])

(b)(6), (b)(7)(C)

3. Former Hanford Site Employee Pleads Guilty to Conspiracy to Submit False Time Cards

On January 3, 2012, in U. S. District Court for the Eastern District of Washington, a former Hanford Site employee pled guilty to one count of conspiracy to commit fraud. The investigation determined that between January 2004 and November 2008, the former employee and several other Hanford Site employees routinely falsified timecards and received pay for hours they had not worked. As part of the plea agreement, the former employee has agreed to incarceration for up to 16 months and 2 years of supervised probation. The individual also agreed to pay restitution in the amount of \$90,000. Official sentencing is scheduled for May 17, 2012. (I08RL007: [REDACTED])

(b)(6),(b)(7)(C)

4. Guilty Plea in Trespassing Investigation at Y-12

On December 28, 2011, an individual with no Department affiliation pled guilty in U.S. District Court for the Northern District of Illinois to trespassing on the Y-12 National Security Complex. As previously reported, 13 individuals were arrested without incident on July 5, 2010, and 12 were later convicted on May 11, 2011.

(b)(6),(b)(7)(C)

(I10OR013: [REDACTED])

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	45	44	41	23	34	9
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	4	0	4	0	1	1	1
TCS Fraud Case Support:							44
TOTAL:	41	48	48	41	24	35	54
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	13:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	0	0	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	120
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	2
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/06/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	1	0	10
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2012</u>
0		0		0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

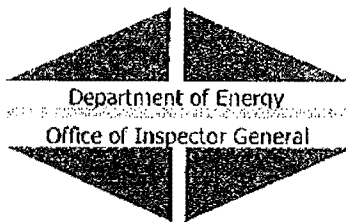
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **OI Master Calendar** – As a reminder, OI has a Master Calendar of Recurring Activities that is posted to IGNet under Events/OIG Investigations Calendar (https://igcomm.doe.gov/events_262.cfm). The Master Calendar of Recurring Activities should be used by OI personnel to forecast recurring upcoming events and to plan resources accordingly. The calendar is organized by activities that occur monthly, quarterly and annually. This is a living calendar of activities and will be updated as additional recurring activities are identified.

DISTRIBUTION

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 13, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Department Contractor Employee Pled Guilty to Theft of Federal Funds

On January 3, 2012, a former Bonneville Power Administration contractor employee pled guilty to one count of theft of Federal funds. The investigation determined that the individual embezzled approximately \$36,000 in Department funds for personal use. Specifically, for the period of September 16, 2008 through July 28, 2009, the former employee used Federal funds to purchase items such as electronics, gym memberships, and vacations. (I11IF003: [REDACTED])

(b)(6),(b)(7)(C)

2. Two Individuals Indicted in Recovery Act Grant Fraud Investigation

On December 22, 2011, the owner of a Department subcontractor company was indicted on two counts of fraud by a Travis County grand jury. On this same date, a superseding indictment was filed against a former Texas State Recovery Act grant coordinator (Coordinator) for two counts of fraud. As previously reported, the investigation determined the owner and former Coordinator conspired to submit fraudulent documents and false claims to obtain approximately \$2 million in Department Recovery Act funds. This is an ongoing investigation between several State and Federal agencies. (I11AL015: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	38	43	44	41	23	31	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							44
TOTAL:	41	46	48	41	24	32	55
Cases Opened:	0	1	0	0	0	0	1
Cases Closed:	0	3	0	0	0	3	0
Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	13:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	2	5	0	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 67
Total Hotline Complaints Predicated: 14
Total Referral Letters Issued: 5
Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/13/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	8	1	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>	
0	0		0	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- (b)(6),(b)(7)(C) Region 5 – On January 9-11, 2012, Inspector General (IG) Gregory Friedman and [redacted] visited the Livermore Office. While in Livermore, the IG met with investigators, inspectors, and auditors, as well as the new Director for the Lawrence Livermore National Laboratory.

JOYS, CARES, CONCERNS

- (b)(6),(b)(7)(C) TCS – [redacted] is leaving the OIG at the end of the week to accept a new position with the U.S. Postal Inspection Service in the D.C. area. We wish [redacted] the (b)(6),(b)(7)(C) best and thank [redacted] for [redacted] 2+ years of service in the TCS.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

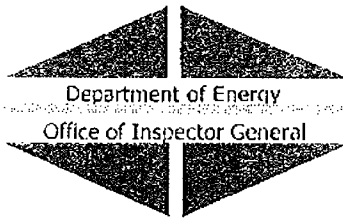
- **CHRIS Process** – The following outlines the steps OI employees must take to ensure training is correctly recorded in CHRIS:
 - **Requirement to Enter Training** – OI employees should enter all training (e.g., no cost training, FLETC training, outside vendor training, on-line training) into CHRIS. An exception to this requirement is local/site-based training that duplicates HQ-based training. Training should be entered into CHRIS prior to the date the training is taken. Training entered into CHRIS after the date of the training must be entered no later than 30 days after the start date of the training class.
 - **Vendor Information** – CHRIS training requests must include information on the vendor/entity that is providing the training. The vendor's name, address, city, state and zip code must be provided for each training request. This requirement applies even if the entity that is providing the training is DOE or DOE OIG. In these instances, indicate that the vendor is DOE or DOE OIG and provide the address for the organization (e.g., 1000 Independence Ave., SW, Washington, DC 20585). Failure to enter complete vendor information will result in the training request being recycled.
 - **Approval Routing** – All OI employees Training Work Flow profile in CHRIS must be set up as follows:
 - Step 1: Supervisor
 - Step 2: (b)(6),(b)(7)(C) [redacted]
 - Step 3: RM – [redacted]
 - Step 4: RM – [redacted] (only required when there is a cost associated with the training)
 - Step 5: RM – [redacted]

- **Registration and Payment** – P3 staff will coordinate registration and payment for all training for OI employees based on the training request submitted through CHRIS. P3 staff will notify OI employees once the registration and payment has been finalized.

- **Training Status** – All OI employees must notify [REDACTED] (b)(6) of the status of any training entered into CHRIS (e.g., completed, cancelled, rescheduled). Since CHRIS acts as DOE OIG's system of record for employee training, the information provided will be used to update employees' training records.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 20, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- **Civil Settlement Purchase Card Fraud Investigation**

On January 18, 2012, a Hanford Site employee entered into a civil agreement and agreed to pay \$14,700 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for these kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (I09RL001: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	43	44	41	23	32	11
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	5	0	4	0	1	1	1
TCS Fraud Case Support:							45
TOTAL:	42	46	48	41	24	33	57
Cases Opened:	1	0	0	0	0	0	1
Cases Closed:	0	0	0	0	0	0	0
Ratio:	6:1	9:1	6:1	6:1	3:1	5:1	19:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	1	1	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 101
Total Hotline Complaints Predicated: 19
Total Referral Letters Issued: 12
Positive Outcomes: 1

HOTLINE POSITIVE OUTCOMES

- The OIG received allegations that an employee at the Department's Lawrence Berkeley National Laboratory (Laboratory) used a Government website to advertise for a commercial company. In response to an OIG referral, management determined that while the website had information about a commercial company, it was not violation of Laboratory policies. Nonetheless, Laboratory reminded personnel of the requirements in this area. (I11RS061: [REDACTED] (b)(6). (b)(7)(C)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/20/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	1	0	10
Cases Completed <u>This Week</u>		Cases Opened <u>This Week</u>		Total Closed <u>in CY 2012</u>
0		0		0

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

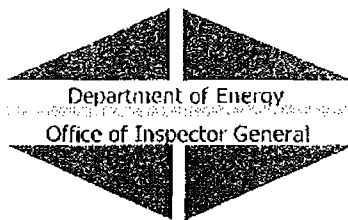
- **All Staff Meeting** – The Office of Investigations FY 2012 All Staff meeting will be held the week of April 30–May 4, 2012 at the Magnolia Hotel in Denver, CO. Absent extenuating circumstances, employees must attend this meeting. Of employees should submit agenda topics for the All Staff Meeting to [REDACTED] (b)(6)

(b)(6)

[REDACTED] no later than January 31, 2012.

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending January 27, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Indictment in Western Area Power Administration (WAPA) Theft

On January 23, 2012, a grand jury in the U.S. District Court for the District of Colorado returned a true bill on a two-count indictment charging an individual with theft of Government property and destruction of an energy facility. The investigation determined that the individual and an accomplice burglarized a WAPA electrical substation located in Sterling, CO, and stole several items, including a vehicle. The OIG recovered most of the property, which has been valued at \$100,000. This is a joint investigation with the (b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(112DN005: [redacted])

2. Former Subcontractor in Per Diem Fraud Investigation Sentenced and Debarred

On January 19, 2012, a former subcontractor employee at the Savannah River Site was sentenced in the U.S. District Court for the District of South Carolina to five years probation and ordered to pay \$14,598 in restitution. On January 20, 2012, in response to an Investigative Report to Management (IRM), the Office of Procurement and Assistance Management debarred the former subcontractor from doing business with the government for a period of up to three years. As previously reported, this individual was indicted and pled guilty to fraudulently receiving per diem benefits by falsifying per diem eligibility certifications. (110SR003 [redacted])

(b)(6), (b)(7)(C)

3. IRM Issued in Cyber Security Investigation

On January 24, 2012, an IRM was issued to the Chief Information Officer, National Nuclear Security Administration (NNSA). The OIG investigation determined that NNSA was in violation of Departmental policy when it failed to notify the Department's Joint Cybersecurity Coordination Center of a cyber security breach by a contractor employee in Las Vegas, Nevada. The IRM made three recommendations for corrective action, including determining if NNSA personnel require additional training regarding the Cyber Security Program. (112TC001: [redacted])

(b)(6), (b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	37	42	46	41	20	32	11
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	5	0	4	0	1	1	1
TCS Fraud Case Support:							45
TOTAL:	42	45	50	41	21	33	57
Cases Opened:	0	0	2	0	0	0	0
Cases Closed:	0	1	0	0	2	0	0
Ratio:	6:1	9:1	7:1	6:1	3:1	5:1	19:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	1	1	1	1	2	2

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	108
Total Hotline Complaints Predicated:	17
Total Referral Letters Issued:	15
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 01/27/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
3	7	2	1	13
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>		<u>Total Closed in CY 2011</u>	
0	2		4	

RECOVERY ACT EFFORTS

The Office of Investigations completed two Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6).(b)(7)(C) • Region 3 – On January 20, 2012 [redacted] and (b)(6).(b)(7)(C) [redacted] provided a briefing to approximately 40 key management staff in Oak Ridge, TN.
- (b)(6).(b)(7)(C) • Region 3 – On January 23, 2012 [redacted] provided a briefing to approximately 150 individuals of B&W Y-12 Technical Services, LLC (B&W) procurement and contracts management staffs at the Y-12 National Security Complex, TN.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

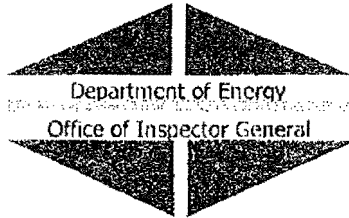
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Standardized Production Reports** – Standardized Production Reports have been created for OI Special Agents. These reports should be used when reporting end-of-year performance to supervisors. The production reports can be found on the IGNet under Employee Information/Office of Investigations/Standardized Production Reports. Any suggestions for changes and improvements to the reports should be submitted to your supervisor.
- **All Staff Meeting** – The Office of Investigations FY 2012 All Staff meeting will be held the week of April 30 – May 4, 2012 at the Magnolia Hotel in Denver, CO.

- (b)(6).(b)(7)(C) • OI staff should submit suggestions for agenda topics to [redacted] (b)(6).(b)(7)(C) [redacted] no later than January 31, 2012.
- Due to the timing of budget allocations, OI staff should not make their travel plans in GovTrip until after March 1, 2012.

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Assistant Inspector General for Audits
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending February 3, 2012

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SIGNIFICANT ACTIVITY

1. Former Professor Charged in Duplicate Research Grant Fraud

On January 31, 2012, the U.S. Attorney's Office for the Middle District of Pennsylvania filed a felony information charging a former Pennsylvania State University professor with one count each of wire fraud, false statements and money laundering. [REDACTED]

(b)(7)(A)

(b)(7)(A)

(b)(3)(A), (b)(7)(C)

(110HQ016: [REDACTED])

2. Civil Settlement in Purchase Card Fraud Investigation

On January 26, 2012, a former Hanford Site employee entered into a civil agreement and agreed to pay \$5,500 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (109RL001: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	36	39	46	41	21	31	10
Hold:	0	3	0	0	0	0	0
Pending Closure/Action:	4	0	4	0	1	1	1
TCS Fraud Case Support:							46
TOTAL:	40	42	50	41	22	32	57
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	2	3	0	0	0	1	1
Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	19:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	5	0	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 259

Total Hotline Complaints Predicated: 15

Total Referral Letters Issued: 12

Positive Outcomes: 1

HOTLINE POSITIVE OUTCOMES

- The OIG referred to the Department allegations relating to the lack of qualifications of contractor fire protection engineering staff at the Savannah River Site. In response to the OIG referral, one individual was deemed unqualified and subsequently removed from the list of qualified fire protection engineers.

(b)(6), (b)(7)(C)

(I11RS072:)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/03/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
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1	12	1	0	14
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Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>	Total Closed <u>in CY 2012</u>
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1	1	5
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RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- On January 31, 2012, [REDACTED] participated as a panelist in a continuing legal education program for the South Carolina State Bar Association sponsored by the U.S. Attorney's Office for the District of South Carolina. [REDACTED] along with representatives from Health and Human Services OIG and the Defense Criminal Investigative Service, provided an investigative perspective on types of frauds against the Government and handling Qui Tams. The audience was comprised of attorneys serving as relator counsel, defense counsel, prosecutors and law professors.
- Per Chapter 8, Section B(4)(c) of the Investigative Manual, the technical equipment custodian or alternate will maintain a technical equipment log on each piece of equipment. Special Agents must sign the log book when removing/returning the equipment from/to the restricted storage area. The log book, which is maintained in the same secured room as the equipment, must include descriptive data pertaining to the equipment, including name and serial number, Special Agent's printed name and initials, issue and return dates, case number and custodian's initials. For additional information regarding technical equipment inventory and maintenance please refer to http://igcomm.doe.gov/Chapter_8.pdf.

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

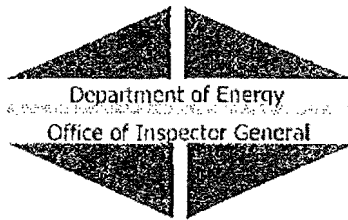
- **Confidential Financial Disclosure Report** – OI employees who have received a CHRIS email notification that they must file an Annual Confidential Financial Disclosure Report, should ensure that the report is filed no later than February 15, 2012.
- **IGNet** – OI has posted the following items on the IGNet for easy access by OI employees:
 - Investigations Manual (Policy Tab)
 - Example/Go-Bys (Policy Tab)
 - OI Master Calendar of Recurring Events (Events Tab)
 - OI New Employee Handbook (Employee Info Tab)
 - Standardized Production Reports (Employee Info Tab)

If you do not have access to the IGNet, contact _____ to obtain a username and password.

_____ to (b)(6)

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending February 10, 2012

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SIGNIFICANT ACTIVITY

1. Actions in Per Diem Investigations

On February 1, 2012, a former Department subcontractor employee entered into a pretrial diversion agreement with the U.S. Attorney's Office for the Southern District of Georgia. As part of the pretrial diversion agreement, the former subcontractor employee was ordered to make restitution in the amount of \$25,005. Additionally, on February 3, 2012, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management notified the OIG of the debarment of a former subcontractor employee from doing business with the Federal Government for a period of up to 3 years. As previously reported, the former employees were indicted for fraudulently receiving per diem benefits by falsifying eligibility certificates. (11SR006/110SR008: [REDACTED] (b)(6),(b)(7)(C)

2. Indictment in National Energy Technology Laboratory (NETL) Theft

On January 6, 2012, a former NETL contractor employee was indicted for embezzlement by the Circuit Court of Monongalia County, WV. The investigation determined that the former contractor employee stole over \$5,000 in supplies from a warehouse used to support NETL Morgantown, WV operations. This is a joint investigation with the [REDACTED] (b)(7)(A) [REDACTED] (110PT010: [REDACTED] (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	34	39	46	41	22	30	10
Hold:	0	3	0	0	0	1	0
Pending Closure/Action:	5	0	4	0	1	1	1
TCS Fraud Case Support:							46
TOTAL:	39	42	50	41	23	32	57
Cases Opened:	0	0	0	0	1	0	0
Cases Closed:	1	0	1	0	0	0	0
Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	19:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	1	1	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	167
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/10/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	9	1	3	14

<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Total Closed in CY 2012</u>
0	0	6

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The Technology Crimes Section (TCS) has posted the following material on the IGNet under Policy/Investigations/Technology Crimes Section:
 - Forensic Service Request Form – Fraud agents should use this form when requesting TCS assistance with a case.
 - TCS Capabilities – This document provides a brief overview of TCS software and hardware capabilities.
 - CCIPS ISP Database – This document provides instructions on how to access the U.S. Department of Justice's Computer Crime and Intellectual Property Section Internet Service Provider database. The database provides an extensive list of companies and their process service and contact information.

JOYS, CARES, CONCERNS

- None

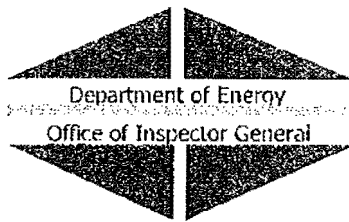
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Confidential Financial Disclosure Report** – If you have received a CHRIS email notification that you must file an Annual Confidential Financial Disclosure Report, please ensure that report is filed no later than February 15, 2012.
- **Training Status** – All Office of Investigations employees must notify (b)(6) of the status of any training entered into CHRIS (e.g., completed, cancelled, rescheduled). Since CHRIS acts as DOE OIG's system of record for employee training, the information provided will be used to update employees' training records.

(b)(6)

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WEEKLY ACTIVITY REPORT

Ending February 17, 2012

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SIGNIFICANT ACTIVITY

1. Sentencing in Purchase Card Fraud Investigation

On February 15, 2012, a former employee of a Hanford site prime contractor was sentenced to 46 months incarceration and 3 years probation and was ordered to pay \$487,000 in restitution in the Eastern District of Washington in connection with a purchase card fraud scheme. The former contractor employee previously pled guilty to two counts of wire fraud. The investigation determined that the former contractor employee utilized Government-funded purchase cards to embezzle approximately \$487,000 by making unauthorized purchases from [redacted] spouse's company. This case (b)(6),(b)(7)(C) is also part of a larger civil fraud case against former Department prime contractors.

(b)(6),(b)(7)(C)

(105RL011: [redacted])

2. Informations in Time Card Fraud Investigation

On February 10, 2012, in U.S. District Court for the Eastern District of Washington, Informations were filed charging two former Department contractor employees with one count each of conspiracy to defraud the Government. The investigation determined that between May 2004 and October 2008 the former Department contractor employees, and other Department contractor employees, had routinely falsified time cards and received pay for hours they had not worked. (108RL007:

(b)(6),(b)(7)(C)

[redacted]

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	29	36	46	41	20	30	10
Hold:	0	3	0	0	0	1	0
Pending Closure/Action:	5	0	4	0	1	1	1
TCS Fraud Case Support:							45
TOTAL:	34	39	50	41	22	32	56
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	4	3	0	0	1	0	0
Ratio:	4:1	7:1	7:1	6:1	3:1	5:1	18:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	1	3	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	123
Total Hotline Complaints Predicated:	13
Total Referral Letters Issued:	3
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/17/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
2	9	1	0	12
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
3	2	1	9	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- (b)(6),(b)(7)(C) • On February 15, 2012, [REDACTED] provided a presentation on the Government Tech-Net Database at the Federal Audit Executive Council bi-monthly meeting. The Government Tech-Net Database is used to oversee the Small Business Innovation Research and Small Business Technology Transfer Research awards. (b)(6),(b)(7)(C) [REDACTED] explained how data mining can be used to uncover potential violations of program guidelines; derive potential fraud indicators; and identify potential criminal violations.

JOYS, CARES, CONCERNS

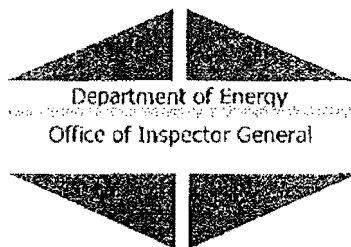
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Travel** – When selecting/booking a *non-contract* airline flight, the flight may have a "must be booked by date" that is significantly earlier than the planned travel dates. A flight that is "booked" too far in advance of planned travel may result in the traveler receiving a credit card bill prior to the completion of the travel. Travelers must be aware of the required booking dates and make every effort to avoid booking a flight that will result in a credit card bill prior to completion of the travel.
- **FLETC Training Costs** – Please notify P3 if you intend to leave FLETC the same day that training is completed as this will reduce the overall cost of the course and make additional funds available for other training needs.

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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending February 24, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued to Albuquerque Complex

On February 23, 2012, an IRM was issued to the Manager, Albuquerque Complex. During the course of an investigation concerning the theft of Government property, the OIG determined a grantee improperly billed \$83,515 in unallowable costs associated with the commuting expenses of their Principal Investigator. The IRM recommended that the Department determine if these funds should be returned.

(b)(6), (b)(7)(C)

(107OR004: [REDACTED])

2. Civil Settlement Purchase Card Fraud Investigation

On February 23, 2012, a former Hanford Site employee entered into a civil agreement and agreed to pay \$12,797 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (109RL001: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	29	37	47	40	21	30	10
Hold:	0	3	0	0	0	1	0
Pending Closure/Action:	4	0	4	0	1	1	1
TCS Fraud Case Support:							45
TOTAL:	33	40	51	40	22	32	56
Cases Opened:	0	1	1	0	1	1	0
Cases Closed:	1	1	0	1	1	1	0
Ratio:	4:1	8:1	7:1	6:1	3:1	5:1	18:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	2	1	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	36
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	7
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- In response to an OIG referral, the Department's Richland Operations Office looked into allegations of potential misuse of a Government vehicle by contractor employees at the Hanford Plutonium Finishing Plant. Department management did not substantiate the allegations; however, the contractor was instructed to provide a reminder to all employees that Government vehicles are for official use only.

(b)(6),(b)(7)(C)

(I12RS012:)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 02/24/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	9	1	1	12
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	9	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Media Inquires** – Inquiries from media representatives received by OI employees must be referred without further elaboration to the Media Liaison [redacted] or [redacted] (b)(6) the dedicated media phone line at [redacted] (b)(6), (b)(7)(C) OI employees cannot confirm or deny any information or disclose any OIG records. OI employees must immediately advise the Media Liaison, their supervisor, and the operations officers of the contact and the nature of the inquiry.
- **Case File Reminder** – Prior to submitting closed case files to HQ:
 - Ensure that the appropriate bulky exhibits are with the file and/or there is documentation (i.e., MOIA or case closing check list) in the case file that records the disposition of the bulky exhibits.
 - Review all case folders and MOIAs to ensure they have the appropriate case numbers. If a wrong case number is identified, strike through the wrong number (do not completely obliterate the wrong number), insert the correct number and initial the change.

JOYS, CARES, CONCERNS

- None

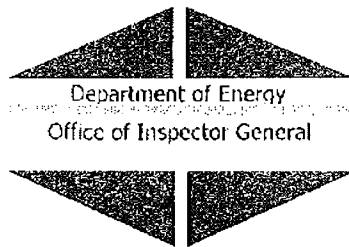
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Transcription Services** – The Transcription Services Pilot Program policy was issued on February 21, 2012, and is posted on the IGNet under Policy/Investigations/Investigations Manual/Supplemental Policies. The Transcription Services Pilot Program provides for the use of transcription services in support of OIG investigations.

(b)(6) Please contact [redacted] if you do not have a username and password for the IGNet.

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WEEKLY ACTIVITY REPORT

Ending March 9, 2012

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SIGNIFICANT ACTIVITY

1. Guilty Plea in Duplicate Research Grant Fraud Investigation

On February 21, 2012, a former Pennsylvania State University professor pled guilty in U.S. District Court for the Middle District of Pennsylvania to wire fraud, false statements and money laundering. As previously reported, the OIG investigation determined the professor applied for and received a \$1.9 million research grant from the Advanced Research Projects Agency – Energy after already receiving a grant from the National Science Foundation to perform the same work. The professor also pled guilty to defrauding the National Institute of Health on a separate \$1.2 million research grant. Sentencing is pending. (I10HQ016: [REDACTED]) (b)(6),(b)(7)(C)

2. Civil Settlement in Purchase Card Fraud Investigation

On February 24, 2012, a former Hanford Site employee entered into a civil agreement and agreed to pay \$15,280 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (I09RL001: [REDACTED]) (b)(6),(b)(7)(C)

3. Recovery of Weatherization Funds

On February 28, 2012, a Community Action Agency (CAA) reimbursed the Maine State Housing Authority \$81,121 after an OIG investigation determined the CAA intentionally mismanaged Department Weatherization Assistance Program funds. The Maine State Housing Authority is in the process of returning the funds to the Department. This investigation did not involve Recovery Act funds. Criminal and civil action was deferred for administrative remedies. (I08PT002: [REDACTED]) (b)(6),(b)(7)(C)

4. Sentencing and Guilty Plea in Copper Theft Investigations

On February 10, 2012, an individual with no Department affiliation was ordered in Morgan County Colorado District Court to pay \$14,044 in restitution to the Department for theft of copper from the Western Area Power Administration's (WAPA) Hoyt substation. This is a joint investigation with the (b)(7)(A)

(b)(7)(A) in a related investigation, on March 1, 2012, an individual with no Department affiliation pled guilty and was sentenced in Weld County Colorado District Court for theft of copper from WAPA's Ault substation. The individual pled guilty to burglary and was sentenced to 3 years incarceration. A determination of restitution is pending. This is a joint investigation with the (b)(7)(A) (110DN004 & 110DN003;

(b)(6), (b)(7)(C)

5. Subcontractor President Debarred from Contracting

On February 17, 2012, the Department's Director of the Office of Procurement and Assistance Management, in response to an Investigative Report to Management (IRM), debarred the president of a subcontractor firm for 3 years. As previously reported, the U.S. Attorney's Office in the District of South Carolina reached a civil settlement with the president of the firm, requiring that the president pay \$47,643 in restitution, of which \$19,057 was returned to the Department. The investigation determined that the firm's president submitted a fraudulent lease agreement for an employee of the firm in order to obtain reimbursements for per diem monies paid to the employee. The per diem monies paid to the company were funded by the Recovery Act. (110SR012; (b)(7)(A)

(b)(6), (b)(7)(C)

6. IRM Issued to the Office of Science (SC) and the Office of Procurement Management (MA)

On February 24, 2012, an IRM was issued to the Directors of SC and MA with recommendations for administrative action and proposed suspension and debarment. The investigation determined a principal investigator for a Department-issued grant provided false certifications regarding the receipt of duplicate funding from other sources. (111LL010; (b)(7)(C)

(b)(6), (b)(7)(C)

7. Former Department Subcontractor Employee Indicted

On March 6, 2012, a Federal Grand Jury in the District of South Carolina indicted a former Department subcontractor employee on 1 count of theft of public funds and 3 counts of false statements. The investigation determined the former subcontractor employee falsified three per diem certification forms in order to receive \$32,428 in Recovery Act funded per diem payments (b)(6), (b)(7)(C) was not eligible to receive. (111SR024; (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	32	38	48	39	22	30	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							33
TOTAL:	35	40	52	39	23	32	11
Cases Opened:	1	0	1	0	1	0	0
Cases Closed:	1	1	0	2	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							11:1
Agents Assigned:	7	5	7	6	6	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	0	0	3	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	72
Total Hotline Complaints Predicated:	30
Total Referral Letters Issued:	8
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 03/09/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	7	1	1	13
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
1	0	0	10	

RECOVERY ACT EFFORTS

The Office of Investigations completed 9 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 1 – On March 6 and 7, 2012, [redacted] along with Audit Team Leaders [redacted] provided briefings to National Energy Technology Laboratories senior management officials from Pittsburgh, PA, Morgantown, WV and Albany, OR. Approximately 90 people were in attendance.
- (b)(6),(b)(7)(C) • Region 4 – On February 28, 2012, and March 1, 2012 [redacted] (b)(6),(b)(7)(C) [redacted] conducted a total of 4 briefings attended by approximately 63 Los Alamos National Security, LLC, and Department personnel.
- (b)(6),(b)(7)(C) • Region 5 – On February 29, 2012 [redacted] gave 2 briefings to contractor and Department personnel at General Atomics Corporation in San Diego, CA. Approximately 30 engineers and purchasers who work on fusion projects under contract with the Department attended the presentation.
- (b)(6),(b)(7)(C) • Region 5 – On March 6, 2012, [redacted]
- (b)(6),(b)(7)(C) [redacted] gave a briefing to approximately 30 Department Weatherization Administrators in Carson City, NV.

OTHER MATTERS

- (b)(6),(b)(7)(C) • Region 1 & TCS – On 6 March 2012, [redacted] attended a 1-day suspension and debarment training session hosted at the Office of the Director of National Intelligence.
- TCS – During the week of March 12, 2012, all TCS agents will be supporting a Region 4 case. TCS agents will be working to image, process, analyze and create full copies for discovery of more than 100 digital items containing 18 terabytes of data. The work must be completed in 1 month in response to a court ordered deadline. (111AL015: [redacted])
- (b)(6),(b)(7)(C) • Case Progress Review Forms – Case Progress Review forms must be maintained by OI until the completion of the next outside quality assurance review (i.e., peer review). At case closure, all Case Progress Review forms must be submitted to Headquarters with the official closed case file. The forms should be placed in an envelope separate from the case file. P3 will retain Case Progress Review forms separately until completion of the next outside quality assurance review.

JOYS, CARES, CONCERNS

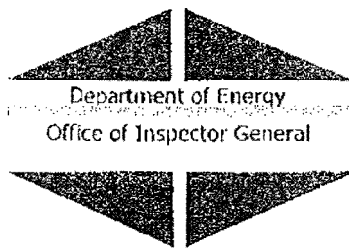
- (b)(6),(b)(7)(C) • Please join us in welcoming [redacted] as the new (b)(6),(b)(7)(C) [redacted] in Washington, DC.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Travel** – The Centrally Billed Account (CBA) should not be used to pay for travel costs unless the traveler has coordinated the use of the CBA with the P3 Director. The CBA is only used for those travelers who do not have a government-issued travel card or who have extenuating circumstances that prevent the use of the travel card.

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WEEKLY ACTIVITY REPORT

Ending March 16, 2012

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SIGNIFICANT ACTIVITY

1. Two Former Weatherization Contractors Charged with Bribery and False Claims

On March 12, 2012, the California Attorney General's Office filed a criminal complaint charging two former California non-profit agency employees with accepting bribes and submitting false claims on weatherization contract work. The investigation determined the former president and fiscal officer solicited and accepted bribes from a subcontractor totaling approximately \$1.2 million. The individuals also submitted inflated claims to the State of California, resulting in overbilling to the Department and U.S. Department of Health and Human Services weatherization programs by approximately \$440,000. This investigation did not involve Recovery Act funds. This is a joint investigation with the (b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(110LL005: [REDACTED])

2. Former Contractor Employee Debarred

On March 8, 2012, the Office of Management and Procurement Assistance notified the OIG that on February 8, 2012, a former contractor employee of the Lawrence Livermore National Laboratory (Laboratory) was debarred from Government contracting for a period of 3 years. The investigation determined that the former contractor employee stole high-end printer cartridges from the Laboratory and sold them to a supply company and online wholesalers. The stolen cartridges were valued at approximately \$12,000. As previously reported, the former contractor employee was sentenced to 1 day incarceration and 5 years probation. The individual was also ordered to pay \$9,640 in restitution, court fees and assessments.

(b)(6), (b)(7)(C)

(110LL004: [REDACTED])

3. Former Hanford Site Employee Pled Guilty to Conspiracy to Submit False Time Cards

On March 13, 2012, in the U.S. District Court for the Eastern District of Washington, a former Hanford Site employee pled guilty to one count of conspiracy to defraud the Government. The investigation determined that between January 2004 and October 2008 the former employee, and other Hanford Site employees, had routinely submitted time cards falsely claiming and receiving pay for hours they had not worked. As a part of the plea agreement, the former employee has agreed to incarceration for up 18 months and 2 years of supervised probation. The individual has also agreed to pay restitution in the amount of \$165,744. Sentencing has been scheduled for October 11, 2012. (I08RL007: [REDACTED])

(b)(6),(b)(7)(C)

4. Civil Settlement in Purchase Card Fraud Investigation

On March 12, 2012, a former Hanford Site employee entered into a civil agreement and agreed to pay \$11,000 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (I09RL001: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	34	42	46	40	22	31	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							34
TOTAL:	37	44	50	40	23	33	13
Cases Opened:	3	4	0	1	0	1	2
Cases Closed:	0	0	2	0	0	0	1
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							11:1
Agents Assigned:	7	5	7	6	6	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	4	2	1	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	56
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 03/16/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	4	1	1	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
3	1	0	12	

RECOVERY ACT EFFORTS

The Office of Investigations completed one Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6),(b)(7)(C)
- Region 5 – On March 12, 2012, [REDACTED] gave an Recovery Act briefing to contractor personnel at the SLAC National Accelerator Laboratory, Menlo Park, CA. Approximately 60 finance and procurement personnel attended the briefing.

OTHER MATTERS

- Headquarters – AIGI candidate interviews will be conducted the week of March 19, 2012.

JOYS, CARES, CONCERNS

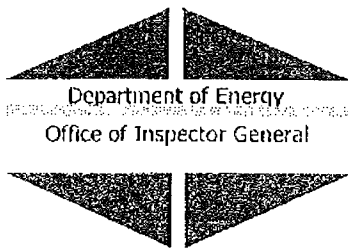
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **All Staff Meeting** – OI employees can begin making travel arrangements for the All Staff meeting scheduled for the week of April 30, 2012 in Denver, CO. OI employees should book air travel only. Hotel reservations at the Magnolia Hotel will be made by P3. Monday, April 30, and Friday, May 4, 2012 are travel days. A full agenda will be sent out in early April 2012.

DISTRIBUTION

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Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending March 23, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Settlement in Purchase Card Fraud Investigation

On March 9, 2012, a former Hanford Site employee entered into a civil agreement and agreed to pay \$13,360 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (109RL001: [REDACTED]) (b)(6),(b)(7)(C)

2. Charge in Copper Theft Investigation

On March 20, 2012, a former Bonneville Power Administration (BPA) employee was charged with theft in the Superior Court for the State of Washington. The investigation revealed that the former BPA employee stole copper cable on multiple occasions from his duty location in Spokane, WA. The estimated loss is in excess of \$20,000. As previously reported, the employee resigned prior to a proposed termination. This investigation is on-going. (112RL001: [REDACTED]) (b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	35	42	47	40	22	32	10
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							34
TOTAL:	38	44	51	40	23	34	
Cases Opened:	1	0	2	0	0	1	0
Cases Closed:	0	0	1	0	0	0	2
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							11:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	1	2	2	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	39
Total Hotline Complaints Predicated:	13
Total Referral Letters Issued:	26
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 03/23/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
6	4	1	0	10
Cases Completed <u>This Week</u>	Cases Opened <u>This Week</u>	Cases Withdraw <u>This Week</u>	Total Closed <u>in CY 2012</u>	
1	2	0	13	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Administrative Support** – Effective March 26, 2012, the administrative support function will be realigned as follows:

(b)(6),(b)(7)(C) [redacted] will support the OI Headquarters front office
(b)(6),(b)(7)(C) [redacted] will support Region 1, Region 2, TCS, and the Hotline and
Analysis Section
(b)(6),(b)(7)(C) [redacted] will support Region 3 and Region 6
(b)(6),(b)(7)(C) [redacted] will support Region 4 and Region 5

(b)(6),(b)(7)(C) [redacted] The administrative support staff is a critical component of OI. Thank you to [redacted] (b)(6),(b)(7)(C)
[redacted] for all you do to ensure that we are able to accomplish
our mission.

JOYS, CARES, CONCERNS

- None

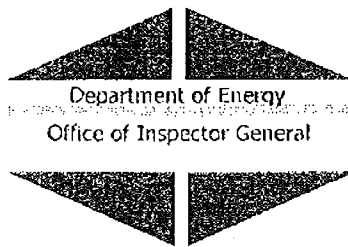
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Standardized Production Reports** – Standardized Production Reports have been created for OI SAs. These reports should be used when reporting mid-year and end-of-year performance to supervisors. The production reports can be found on the IGNet under Employee Info/Office of Investigations/Standardized Production Reports. Any suggestions for changes/improvements to the reports should be submitted to your supervisor.
- **Examples** – OI has posted examples of IG Subpoena requests on the IGNet for easy access by OI employees. As a reminder the following examples can be found on the IGNet under Policy/Investigations/Examples.
 - Preservation Memoranda
 - IRMs
 - IG Subpoenas

If you do not have access to the IGNet, contact [redacted] to (b)(6)
obtain a username and password.

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WEEKLY ACTIVITY REPORT

Ending March 30, 2012

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SIGNIFICANT ACTIVITY

1. Vehicle Seized in Purchase Card Fraud Investigation

On March 22, 2012, a classic car was seized from a former Hanford Site contractor employee who used approximately \$56,000 of fraud proceeds to restore the vehicle.

As previously reported, the former employee utilized Government-funded purchase cards to embezzle approximately \$487,000 by making artificial purchases from (b)(6), (b)(7)(C) spouse's company. The Hanford Site contractor employee was terminated and both (b)(6), (b)(7)(C) the former contractor employee and (b)(7)(A) spouse have been debarred. The (b)(7)(A) (b)(6), (b)(7)(C) assisted with the court-ordered forfeiture.

(b)(6), (b)(7)(C) (IO5RL011: (b)(6), (b)(7)(C))

2. Response to Investigative Report to Management (IRM)

On March 28, 2012, the Oak Ridge Office (ORO) responded to an OIG IRM that recommended corrective action regarding tool management policies and an accountability system at the Department's East Tennessee Technology Park (ETTP). ORO accepted this recommendation and made three more to the Department's Contracting Officer at ETTP. As previously reported, the investigation determined that the former and current prime contractors had not properly maintained property management and accountability controls and did not effectively utilize an available electronic management system. (I11OR005: (b)(6), (b)(7)(C))

3. Former Contractor Employee Debarred

On March 26, 2012, in response to an IRM, the Office of Procurement and Assistance Management notified the OIG that a former contractor employee at Argonne Laboratory was debarred from Government contracting for a period of 3 years. As previously reported, the investigation determined that employees at a non-profit organization created a false billing scheme that diverted funds to multiple individuals for work that was not performed. The former employee pled guilty to one count of mail fraud and was sentenced to 18 months probation or 150 hours of community service. (104HQ002: [REDACTED])

(b)(6), (b)(7)(C)

4. IRM Issued in Per Diem Fraud Investigation

On March 23, 2012, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a former Department subcontractor employee of Savannah River Nuclear Solutions. As previously reported, this individual was indicted for fraudulently receiving per diem benefits by falsifying per diem eligibility certifications in order to receive over \$25,005 in Recovery Act-funded per diem payments. The individual signed a pretrial diversion agreement which ordered \$25,005 in restitution. (111SR006: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	43	46	41	22	32	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	3	0	4	0	1	1	1
TCS Fraud Case Support:							37
TOTAL:	40	45	50	41	23	34	49
Cases Opened:	2	1	0	1	0	0	0
Cases Closed:	0	0	1	0	0	0	0
Case Ratio:	5:1	9:1	7:1	6:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	3	0	2	4	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	120
Total Hotline Complaints Predicated:	9
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 03/30/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
5	2	1	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed In CY 2012</u>	
3	2	0	16	

RECOVERY ACT EFFORTS

- Region 3 – On March 26, 2012, [REDACTED] along with [REDACTED] Eastern [REDACTED] Audits Division, provided a briefing to 57 individuals from the Department's Oak Ridge Office, including senior managers and employees from the security, financial management and procurement/contracts divisions.

OTHER MATTERS

- A major upgrade was completed on the TCS support tab in EIGPT. The upgrade allows TCS and field agents to view and track all open and completed TCS case support requests. This upgrade provides an opportunity for enhanced communication between TCS and the field. Additionally, it will facilitate the organization-wide management of TCS support requests by tracking associated request timelines.

JOYS, CARES, CONCERNS

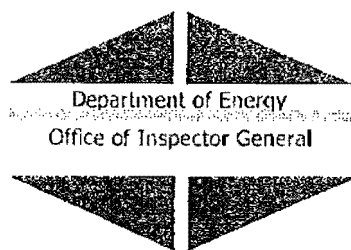
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

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WEEKLY ACTIVITY REPORT

Ending April 6, 2012

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued to National Nuclear Security Administration (NNSA)

On March 29, 2012, an IRM was issued to the NNSA Associate Administrator of Counterterrorism and Counterproliferation with two recommendations. The IRM was issued to provide NNSA with information contained in an Air Force Office of Special Investigations Report of Investigation (ROI). The ROI detailed allegations of time card and per diem fraud by an NNSA employee while [redacted] was employed as an Air Force civilian employee. On April 2, 2012, NNSA terminated the employee. Separately, the OIG investigation is focusing on similar allegations of time card and per diem fraud while the individual was employed at NNSA.

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(I12HQ011: [redacted])

2. IRM Issued to Oak Ridge Office (ORO)

On March 30, 2012, an interim IRM was issued to the ORO manager with one recommendation. The IRM was issued to inform ORO that the ongoing OIG investigation recently determined that a former Department contractor employee removed a computer file from ORO without authorization. The file contained Personally Identifiable Information (PII) of approximately 16,000 current and former Department and contractor employees. The IRM recommended that ORO determine if any reporting action regarding the PII is necessary.

(b)(6),(b)(7)(C)

(I12OR004: [redacted])

3. Guilty Plea in False Time Card Fraud Investigation

On March 22, 2012, in the U.S. District Court for the Eastern District of Washington, a former Hanford Site contractor employee pled guilty to one count of conspiracy to defraud the Government. The investigation determined that between September 2007 and November 2008 the former employee, and other Hanford Site employees, had routinely submitted time cards falsely claiming and receiving pay for hours they had not worked. As part of the plea agreement, the former contractor employee has

agreed to incarceration for up to 12 months and 2 years supervised probation. The individual has also agreed to pay restitution in the amount of \$32,166.03.

Sentencing has been scheduled for June 21, 2012. (I08RL007: [REDACTED] b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	35	44	46	41	24	32	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	4	0	1	1	0
TCS Fraud Case Support:							34
TOTAL:	39	46	50	41	25	34	45
Cases Opened:	0	1	0	0	2	0	0
Cases Closed:	1	0	0	0	0	0	1
Case Ratio:	5:1	9:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							11:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	1	0	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	79
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	4
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 04/06/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
3	5	1	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed In CY 2012</u>	
1	0	0	17	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- (b)(6), (b)(7)(C) • On March 26, 2012, [REDACTED] provided a briefing on Small Business Innovation Research (SBIR) fraud and misconduct to a group of 35 program managers that oversee the Fuel Cell Technology Program.
- (b)(6), (b)(7)(C) • On April 5, 2012, [REDACTED] served as a guest instructor for FLETC's Grant Fraud Investigations Training Program in Washington, DC. The class included 40 agents from various Inspectors General. The instruction block was devoted to fraud and criminal misconduct within the SBIR program.

JOYS, CARES, CONCERNS

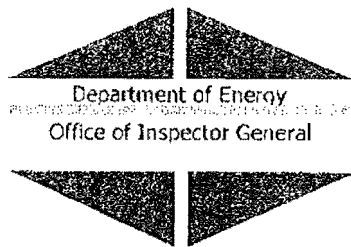
- (b)(6), (b)(7)(C) • Region 3 – On March 30, 2012, the Atlanta Region Council of U.S. Inspectors General presented [REDACTED] with the Special Achievement Award for an identity theft investigation. Congratulations [REDACTED]

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending April 13, 2012

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SIGNIFICANT ACTIVITY

1. Former Department Contractor Employee Pleads Guilty

On April 6, 2012, a former Department contractor employee pled guilty in Federal district court for the Northern District of Indiana to five counts of wire fraud and agreed to pay restitution to the Department in an amount to be determined by the sentencing court. As previously reported, the former contractor employee and another individual, not affiliated with the Department, were indicted on five counts of wire fraud. The investigation determined that the individuals embezzled approximately \$42,127 in Department funds for personal use. This is a joint investigation with [REDACTED] (I08LV003: [REDACTED])

(b)(7)(A)

(b)(6), (b)(7)(C)

2. Investigative Report to Management (IRM) Issued to Oak Ridge Office (ORO)

On April 10, 2012, an IRM was issued to the ORO manager with one recommendation. The OIG investigation determined the managing and operating contractor at Oak Ridge National Laboratory lacked sufficient internal controls to monitor submission of Conflict of Interest/Outside Activities forms by its qualifying employees. The IRM recommended ORO determine if the contractor should improve its system for monitoring employee submissions of these forms.

(b)(6), (b)(7)(C)

(I11OR014: [REDACTED])

3. Former Savannah River Site Subcontractor Employee Debarred

On April 5, 2012, the Department's Director of the Office of Procurement and Assistance Management, in response to an OIG IRM, debarred a former subcontractor employee at the Savannah River Site for 3 years. As previously reported, the investigation determined that the subcontractor employee submitted fictitious home lease agreements in support of fraudulent per diem certifications. As a result of the fraudulent claims, the subcontractor inappropriately received \$25,099 of per diem funded by the Recovery Act. (I10SR013: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	35	44	49	41	23	32	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	4	0	1	1	0
TCS Fraud Case Support:							34
TOTAL:	39	46	53	41	24	34	
Cases Opened:	0	0	3	0	1	0	0
Cases Closed:	0	0	0	0	1	0	0
Case Ratio:	5:1	9:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							11:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	1	0	0	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	77
Total Hotline Complaints Predicated:	6
Total Referral Letters Issued:	4
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 04/13/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
3	4	1	1	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	17	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Ethics Reminder** – Office of Government Ethics regulation Title 5, Code of Federal Regulation, § 2635.809 outlines the responsibility of Federal employees to "satisfy in good faith their obligations as citizens, including all just financial obligations, especially those such as federal, state, or local taxes that are imposed by law." If needed, you may call the IRS at 1-800-829-1040 or visit a local Internal Revenue Service office for assistance with filing tax returns or resolving any balance owed.
- **Reporting Statistics** – The statistics reconciliation for the last semiannual reporting period, October 2011–March 2012, is complete. No new statistics dated before April 2, 2012, should be entered into EIGPT. If you become aware of statistics that occurred prior to April 2, 2012, work with your Assistant Special Agent-in-Charge to determine appropriate steps needed for reporting.
- **Recovery Act Duties** – Effective immediately, the Operations Officers must be informed of all Recovery Act reportable events using the "ARRA Case Reportable Event Form." The Operations Officers will also compile the monthly Recovery Act report that is submitted to the Recovery Accountability and Transparency Board.

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **OIG Investigations Manual** – The following sections of the Investigations Manual have been revised and are posted on the IGNet (https://igcomm.doe.gov/policy_218.cfm):
 - Release Matrix
 - Table of Contents
 - Chapter 3 – Standards and Responsibilities for OIG Special Agents
 - Chapter 4 – Law Enforcement Authorities and Operations
 - Chapter 8 – Specialize Investigative Procedures
 - Chapter 14 – Personnel Management (replaces July 2011 version)
 - Chapter 16 – Training and Professional Development (replaces July 2011 version)
 - Chapter 17 – EIGPT System
 - Chapter 19 – General Policies (replaces August 2011 version)

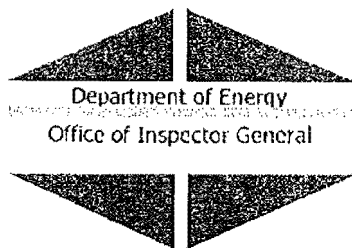
(b)(6)

If you have any questions on the updates made to the sections noted above, please speak with your supervisor. If you do not have access to the IGNet, please contact [REDACTED]

- **CHRIS** – CHRIS training requests must include information on the vendor/entity providing the training. The vendor's name, address, city, state and zip code must be provided for each training request. In addition, the training location must be entered for each training request. This requirement applies even if the entity providing the training is DOE or DOE OIG. In these instances, indicate that the vendor is DOE or DOE OIG and provide the address for the organization (e.g., 1000 Independence Ave, SW, Washington, DC 20585). Failure to enter the vendor information will result in the training request being recycled.

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WEEKLY ACTIVITY REPORT

Ending April 20, 2012

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SIGNIFICANT ACTIVITY

1. Restitution Ordered in Copper Theft Investigation

On April 11, 2012, an individual with no Department affiliation was ordered by Weld County Colorado District Court to pay \$30,011 in restitution to the Department for theft of copper from Western Area Power Administration's Ault substation. As previously reported, the individual pled guilty to burglary and was sentenced to 3 years incarceration. This was a joint investigation with the (b)(7)(A)

(b)(7)(A) (I10DN003: (b)(6), (b)(7)(C))

2. Investigative Report to Management (IRM) issued to Oak Ridge Office (ORO)

On April 17, 2012, an IRM was issued to the ORO Manager with two recommendations. The OIG investigation determined an Energy Efficiency and Conservation Block Grant (EECBG) recipient hired consultants to assist in awarding an EECBG project. The project was subsequently awarded to another company employing the same consultants. These actions violated an EECBG provision concerning conflicts of interest. The IRM recommended ORO determine if the EECBG funding paid to the consultants should be recovered and if other EECBG penalties, sanctions or disciplinary actions are warranted. (I12OR006: (b)(6), (b)(7)(C))

3. Settlement Agreement in Investigation of Defective Body Armor

On April 11, 2012, the U.S. Department of Justice (DOJ) and a Relator entered into a contractual settlement agreement with two former principals of a name-brand retail corporation involved in the sale of defective Zylon body armor that was sold to the U.S. Government. The principals agreed to pay \$100,000 to settle all covered conduct involving civil, contractual and/or administrative claims concerning the False Claims Act. This part of the investigation focused on allegations that the principals made false statements and submitted false claims in connection with the sale of Zylon bullet proof vests. This is an ongoing investigation by the (b)(7)(A)

(b)(7)(A) and several other Federal law enforcement agencies. (I04OR010: (b)(6), (b)(7)(C))

4. Former Department Subcontractor Pays Restitution

On April 17, 2012, the Department's Savannah River Operations Office reported that a former Department subcontractor paid \$32,428 in voluntary restitution. As previously reported a Federal grand jury in the District of South Carolina indicted the former Department subcontractor on one count of theft of public funds and three counts of false statements. The investigation determined the contractor falsified three per diem certification forms in order to receive \$32,428 in Recovery Act funded per diem payments the subcontractor was not eligible to receive. (I11SR024: [REDACTED])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	40	47	41	24	32	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	4	0	1	1	0
TCS Fraud Case Support:							37
TOTAL:	41	42	51	41	25	34	48
Cases Opened:	0	0	0	0	1	0	0
Cases Closed:	0	2	2	0	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	6	0	2	0	0	0	3

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	96
Total Hotline Complaints Predicated:	18
Total Referral Letters Issued:	10
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- The OIG referred environmental, safety and health concerns relating to the removal of reactor control rods by Hanford contractor employees to the Department. In response to the referral, the Department determined that contractor personnel failed to adequately review potential hazards associated with this project; however, no environmental detriment or significant personnel exposure occurred. Department management recommended corrective action to ensure improved communication, preparation, documentation and handling of future decontamination and demolition activities. (I12RS005: [REDACTED])

(b)(6),(b)(7)(C)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 04/20/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	4	1	0	8
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed In CY 2012</u>	
2	0	0	20	

RECOVERY ACT EFFORTS

The Office of Investigations completed two Recovery Act-related fraud awareness briefings over the past week, as follows:

- (b)(6), (b)(7)(C) • Region 3 – On April 12, 2012, [REDACTED]
(b)(6), (b)(7)(C) [REDACTED] provided two briefings to 45 contractor and subcontractor personnel working at the Department's East Tennessee Technology Park and former K-25 Gaseous Diffusion Plant site in Oak Ridge, TN.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- (b)(6), (b)(7)(C) • Region 5 – Please join us in congratulating [REDACTED] on [REDACTED] well deserved (b)(6), (b)(7)(C)
recent promotion. Good job [REDACTED]

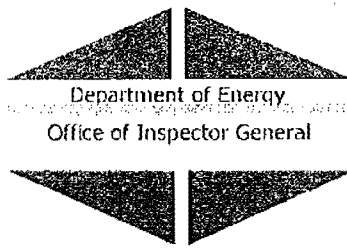
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Manual Chapter Certification** – All Special Agents must sign the **Release of New Firearms-Related Policy Certification** no later than April 27, 2012. The certification can be found on the IGSNet under Policy/Investigations/Investigations Manual/Chapter 4/Exhibit C. The certification should be provided to the Regional Firearms Coordinator.
- **Mid-Year Performance Progress Reviews** – All FY 2012 Mid-Year Performance Progress Reviews must be completed no later than April 27, 2012. As part of the review process, OI employees must acknowledge receipt of the progress review by signing off on the review in e-Performance. The employee sign-off must also be completed no later than April 27, 2012. If you have any questions on the progress review process, please contact your supervisor.

- **CHRIS Availability** – CHRIS will be unavailable from April 26, 2012, through 7 am May 2, 2012. Please ensure all upcoming training requests are entered into CHRIS and approved prior to April 26, 2012.

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Department of Energy
Office of Inspector General

Ending April 27, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Search Warrants Executed in Grant Fraud Case

(b)(7)(A)

(b)(7)(A) The investigation is ongoing. (112HQ006:

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	40	47	41	25	32	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	4	0	0	1	0
TCS Fraud Case Support:							36
TOTAL:	41	42	51	41	25	34	47
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	7	6	7	6	3
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	0	0	0	1	1	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	102
Total Hotline Complaints Predicated:	15
Total Referral Letters Issued:	3
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 04/27/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	4	1	1	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	1	0	17	

RECOVERY ACT EFFORTS

The Office of Investigations completed two Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6), (b)(7)(C) • Region 3 – On April 25, 2012, [REDACTED] gave a briefing to approximately 15 safety/security specialists and managers from the Western Area Power Administration.
- (b)(6), (b)(7)(C) • Region 4 – On April 19, 2012, [REDACTED] provided a briefing to 15 members of the Los Alamos Public Safety Association (LAPSA). LAPSA is a non-profit organization comprised of senior law enforcement, fire, emergency management, Department and contractor security officials from the Los Alamos National Laboratory.

OTHER MATTERS

- During the week of April 16, 2012, TCS [REDACTED] (b)(6),(b)(7)(C) [REDACTED] attended the Department's Information Management Conference in Dallas, TX. In addition to attending training sessions throughout the week, the TCS agents were able to meet with numerous information managers and cyber security personnel from various Department facilities.

JOYS, CARES, CONCERNS

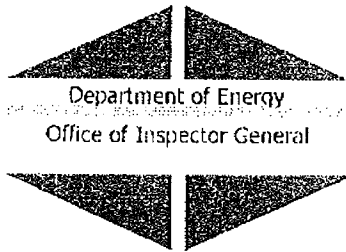
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- CHRIS Availability – CHRIS will be unavailable until May 2, 2012.

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WEEKLY ACTIVITY REPORT

Ending May 11, 2012

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SIGNIFICANT ACTIVITY

1. Company Debarred from Contracting

On May 1, 2012, in response to an Investigative Report to Management, the Department's Director of the Office of Procurement and Assistance Management debarred a company for 3 years. The investigation determined that the president of the company submitted a fraudulent lease agreement for a company employee in order to obtain reimbursements for per diem monies paid to the employee. As previously reported, the U.S. Attorney's Office in the District of South Carolina reached a \$47,643 civil settlement agreement with the company, of which \$19,057 was returned to the Department. The per diem monies paid to the company were funded by the Recovery Act. (10SR012: [REDACTED])

(b)(6), (b)(7)(C)

2. Savannah River Nuclear Services (SRNS) Subcontractor Employee Terminated

On May 1, 2012, the OIG was informed that SRNS terminated a subcontractor employee for making false statements regarding per diem benefits. (b)(7)(A)

(b)(7)(A)

(b)(7)(A)

(112SR002: [REDACTED])

(b)(6), (b)(7)(C)

3. Civil Settlement in Purchase Card Fraud Investigation

On May 7, 2012, a former Hanford Site employee entered into a civil settlement agreement to pay \$10,440 in restitution. As previously reported, the investigation revealed that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards, and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (109RL001: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	36	39	44	42	25	31	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	6	0	0	1	0
TCS Fraud Case Support:							37
TOTAL:	40	41	50	42	25	33	48
Cases Opened:	0	0	1	0	0	0	0
Cases Closed:	0	0	0	0	0	2	0
Case Ratio:	5:1	8:1	8:1	7:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	6	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	4	0	1	0	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	183
Total Hotline Complaints Predicated:	17
Total Referral Letters Issued:	4
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 05/11/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	4	0	1	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
1	0	0	18	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- SAs must refer all media inquiries to the OIG's Media Liaison [REDACTED] on (b)(6) the dedicated media line at (202) 253-2162. This number is dedicated for media inquiries only; do not provide media with any other phone number. All media inquiries must also be reported to the SA's Special Agent-in-Charge (SAC) or Assistant Special Agent -in-Charge (ASAC), who will notify an Operations Officer of the inquiry. SAs should contact an Operations Officer directly when a SAC or ASAC are not readily available. In addition, SAs are to neither confirm nor deny any information in response to a media inquiry. See the OIG's internal directive Media Inquiries – IG-905F – for information.

JOYS, CARES, CONCERNS

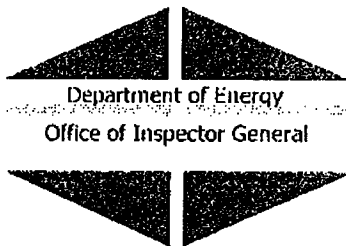
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- Investigations and Oversight Training
 - Survey – remember to complete the survey providing feedback on the training no later than May 11, 2012. The link to the survey is:
<http://www.surveymonkey.com/s/SJFF35J>.
 - Presentations – the powerpoint presentations used at the training will be posted on the IGSNet under Events/OIG Conferences/Office of Investigations next week.

DISTRIBUTION

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending May 18, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Former Department Senior Executive and Spouse Indicted

(b)(6),(b)(7)(C) On May 16, 2012, a former member of the Department's Senior Executive Service and [] spouse were indicted in the District of Maryland on multiple counts of conspiracy, wire fraud, money laundering, conflict of interest and false statements. The OIG investigation determined that the former employee misused [] position to (b)(6),(b)(7)(C) improperly influence the award of subcontracts totaling \$1.2 million to a company (b)(6),(b)(7)(C) owned by [] spouse. (I09HQ018: [])

2. Former Department Contractor Employee Pled Guilty

(b)(6),(b)(7)(C) On May 15, 2012, a former Oak Ridge National Laboratory contractor employee pled guilty in the State of Tennessee's 6th District to theft of Government property and was sentenced to 3 years probation. As previously reported, the investigation determined the former contractor employee used [] Government-issued travel card (b)(6),(b)(7)(C) to obtain \$28,000 in cash advances, gasoline and pre-paid credit cards for personal use. (I10OR021: [])

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	36	41	43	43	25	30	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	6	0	0	1	0
TCS Fraud Case Support:							37
TOTAL:	40	43	49	43	25	32	49
Cases Opened:	0	2	0	1	0	0	1
Cases Closed:	0	0	1	0	0	1	0
Case Ratio:	5:1	8:1	8:1	7:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	6	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	2	1	1	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 76
Total Hotline Complaints Predicated: 7
Total Referral Letters Issued: 6
Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 05/18/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
4	4	0	1	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
1	0	0	18	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- **Quality Assessment Review of OI** – In November 2011, the U.S. Environmental Protection Agency (EPA) OIG conducted a Quality Assessment Review of OI. On May 9, 2012, EPA OIG issued a report on the review and found that OI was in compliance with the quality standards established by the Council of Inspectors General on Integrity and Efficiency and the applicable Attorney General guidelines.

JOYS, CARES, CONCERNS

- None

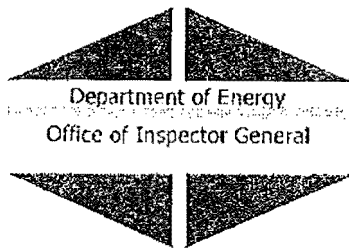
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Recovery Act Activities** – Effective until further notice, OI employees must identify activities that are Recovery Act-related on their time sheets. When entering time into ATAAPS, timekeepers will charge the Recovery Act-related time to Recovery Act funds. This requirement applies to all OI employees not just those employees designated as Recovery Act employees.
- **FLETC Training Costs** – If you intend to leave FLETC the same day that training is completed, notify P3 at least 2 weeks in advance of your course start date. P3 will notify FLETC of the early departure and FLETC will reduce the cost of the course based on the early departure.
- **IGNet** – OI has posted the following items on the IGNet for easy access by OI employees:
 - Investigations Manual (Policy Tab)
 - Example/Go-Bys (Policy Tab)
 - OI Master Calendar of Recurring Events (Events Tab)
 - OI New Employee Handbook (Employee Info Tab)
 - Standardized Production Reports (Employee Info Tab)

If you do not have access to the IGNet, contact to (b)(6) obtain a username and password.

DISTRIBUTION

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Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending May 25, 2012

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SIGNIFICANT ACTIVITY

1. Guilty Plea in Weatherization Fraud and Bribery Investigation

On May 24, 2012, the U.S. District Court for Rhode Island accepted a plea agreement from a former weatherization energy auditor at a community action agency for one count of bribery and one count of false statements. The investigation determined that between 2006-2007 the former energy auditor received over \$30,000 in kickbacks from a weatherization contractor while working at a community action agency and then made false statements regarding his involvement in the kickback scheme during the investigation. This is a joint investigation with multiple Government agencies. (I10PT011: [REDACTED])

(b)(6), (b)(7)(C)

2. Response to Investigative Report to Management (IRM)

On May 21, 2012, in response to an IRM, the Department's Oak Ridge Office indicated it will notify Sevier County, Tennessee, that it found \$169,952 in costs to be disallowable due to a conflict of interest and will request the return of the funds to the Government. The investigation determined that an Energy Efficiency and Conservation Block Grant (EECBG) recipient hired consultants to assist in awarding an EECBG project, which was subsequently awarded to another company employing the same consultants. (I12OR006: [REDACTED])

(b)(6), (b)(7)(C)

3. Guilty Plea in Copper Theft Investigation

On May 22, 2012, an individual with no Department affiliation pled guilty in Weld County Colorado District Court to criminal violations related to theft of copper from the Western Area Power Administration's Ault substation. Sentencing is pending. This is a joint investigation with the (b)(7)(A) [REDACTED] (I10DN003: [REDACTED])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

4. Subcontractor Employee Indicted in Per Diem Fraud Investigation

On May 18, 2012, a Federal grand jury in the District of South Carolina indicted a Department subcontractor employee on one count of theft of Government funds. The investigation determined that between 2010-2011, the subcontractor employee fraudulently received over \$36,000 in per diem benefits by falsifying per diem eligibility certifications. (111SR017:)

(b)(6).(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	37	41	43	42	24	30	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	6	0	0	1	0
TCS Fraud Case Support:							38
TOTAL:	41	43	49	42	24	32	50
Cases Opened:	0	2	0	0	0	0	0
Cases Closed:	0	2	0	1	1	0	0
Case Ratio:	5:1	8:1	8:1	7:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	6	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	1	3	1	0	1	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	138
Total Hotline Complaints Predicated:	11
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 05/25/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases Open
1	6	1	0	8
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
1	1	0	19	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

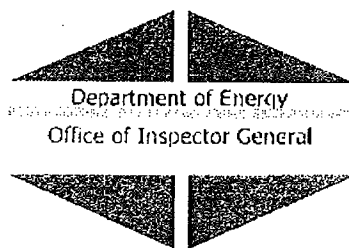
- CHRIS – The Workflow Profile in CHRIS for OI employees should be as follows:

	o	Employee's First Line Supervisor
(b)(6),(b)(7)(C)	o	(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)	o	MA
	o	MA
(b)(6),(b)(7)(C)	o	MA

- June Performance Progress Reviews – Beginning in FY 2012, employees will receive two performance progress reviews. The first progress review for FY 2012 was conducted in April 2012. The second progress review must be completed no later than June 30, 2012. OI supervisors will reach out to all OI employees to schedule the second progress review. The increased number of progress reviews supports a new Presidential initiative entitled "Goals, Engagement, Accountability and Results." The Department is one of five agencies participating in this pilot program.

DISTRIBUTION

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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WEEKLY ACTIVITY REPORT

Ending June 1, 2012

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SIGNIFICANT ACTIVITY

1. Two Individuals Indicted in Fraud Investigation

On May 23, 2012, a State grand jury in the Second Judicial District of New Mexico indicted two individuals on multiple counts of fraud and conspiracy. The joint investigation with the U.S. Secret Service determined that a Department subcontractor employee provided another individual, who had no affiliation with the Department, with the serial numbers of thousands of Department-owned computers from multiple national laboratories. The second individual used the computer serial numbers and associated manufacturer warranties to fraudulently obtain \$1.6 million worth of computer parts that were later used and sold for personal gain. (I10AL012:

(b)(6), (b)(7)(C)

2. Former Subcontractor Sentenced in Kickback Investigation

On May 30, 2012, a former subcontractor employee at the Y-12 National Security Complex (Y-12) was sentenced in the Eastern District of Tennessee to 6 months home confinement, 3 years probation, and was ordered to pay restitution of \$294,976. As previously reported, the former subcontractor employee pled guilty to a one count violation of the Anti-Kickback Act. The investigation determined the former subcontractor employee received kickbacks in [redacted] role as a project manager from a second Y-12 subcontractor employee. The investigation also determined that from 2006-2008, the former subcontractor employee billed time and received payment for hours [redacted] did not work. (I08OR002: [redacted])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

3. Savannah River Subcontractor Employee Terminated

On May 29, 2012, the OIG was informed that a subcontractor employee was terminated as a result of a Federal indictment. As previously reported, a Federal grand jury in the District of South Carolina indicted the subcontractor employee on one count of theft of Government funds. The investigation determined that the subcontractor employee fraudulently received over \$36,000 in per diem benefits by falsifying per diem eligibility certifications. (I11SR017: [redacted])

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	37	39	42	43	24	30	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	4	0	6	0	0	1	0
TCS Fraud Case Support:							38
TOTAL:	41	41	48	43	24	32	50
Cases Opened:	0	0	0	1	0	0	0
Cases Closed:	0	2	1	0	0	0	0
Case Ratio:	5:1	8:1	8:1	7:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							12:1
Agents Assigned:	7	5	6	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	3	0	0	0	0

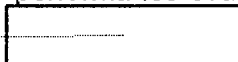
HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	90
Total Hotline Complaints Predicated:	2
Total Referral Letters Issued:	6
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- In response to an OIG referral, an "extent of condition review" was conducted of completion rates for annual employee performance evaluations at the Lawrence Berkeley National Laboratory (Laboratory). As a result of the referral, 2011 performance evaluations for the Laboratory Directorate, as well as the Laboratory's Nuclear Science and Engineering Divisions, will be completed by June 15, 2012. Additionally, the Laboratory's Internal Audit Director will include an audit of performance evaluations in the Fiscal Year 2013 Audit Plan. The referral followed allegations that Laboratory management officials had refused to sign employee performance evaluations and failed to distribute them to employees. (I12RS041:

(b)(6),(b)(7)(C)



FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 06/01/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases Open
1	7	0	0	8
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	19	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

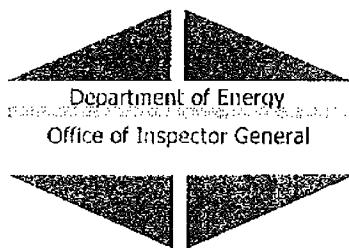
- (b)(6), (b)(7)(C) Congratulations to [redacted] Hotline and Analysis Section, who recently graduated from the Basic Criminal Investigator Course at the Federal Law Enforcement Training Center in Glynnco, GA.
- (b)(6), (b)(7)(C) Please join us in wishing [redacted] well as (b)(6), (b)(7)(C) begins [redacted] new position next week with the Air Force Office of Special Investigations.
- (b)(6), (b)(7)(C) [redacted] will be missed.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **OI Master Calendar** – OI has a Master Calendar of Recurring Activities that is on the IGSNet under Events/OIG Investigations Calendar (https://igcomm.doe.gov/events_262.cfm). The Master Calendar of Recurring Activities should be used by OI personnel to forecast recurring upcoming events and to plan resources accordingly. The calendar is organized by activities that occur monthly, quarterly and annually. This is a living calendar of activities and will be updated as additional recurring activities are identified.

DISTRIBUTION

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending June 8, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Civil Settlement Agreement in Investigations of False Claims and Anti-Kickback Act Violations

On June 1, 2012, the U.S. Department of Justice entered into a civil settlement agreement with the vice president of a Hanford Site subcontractor. The vice president agreed to pay \$11,000 to resolve allegations that he violated the False Claims and Anti-Kickback Acts in connection with [redacted] role in two Hanford Site Government purchase card fraud schemes. The investigations found that from 2000 to 2008 the subcontractor did not implement or carry out adequate internal controls or meaningful supervision to prevent or detect purchase card fraud committed by two of its employees and two Hanford Site contractor employees. (I06RL002 & I08RL008: [redacted])

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

2. Investigative Report to Management (IRM) Issued to Office of Acquisition and Supply Management

On June 5, 2012, an IRM was issued to the Director, National Nuclear Security Administration's Office of Acquisition and Supply Management, recommending suspension and debarment action against a former Y-12 National Security Complex (Y-12) subcontractor employee, a Y-12 vendor, and the vendor's four owners. The investigation determined the former subcontractor employee, in his role as a project manager, received kickbacks from the Y-12 vendor. The investigation also determined that from 2006 to 2008, the former subcontractor employee billed for time and received payment for hours he did not work. As previously reported, the former subcontractor employee was sentenced to 6 months home confinement and 3 years probation and was ordered to pay \$294,976 in restitution. (I08OR002: [redacted])

(b)(6), (b)(7)(C)

3. IRM Issued to Office of Procurement and Assistance Management

On May 31, 2012, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending suspension and debarment action against a former Oak Ridge National Laboratory contractor employee. As previously reported, the former contractor employee used his Government-issued travel card to obtain \$28,000 in cash advances, gasoline and pre-paid credit cards for personal use. The former contractor employee pled guilty in the State of Tennessee's 6th District to theft of Government property and was sentenced to 3 years probation.

(b)(6), (b)(7)(C)

(110OR021: [REDACTED])

4. Contractor Credits Department for Unallowable Per Diem Payments

On June 4, 2012, the OIG was notified that a contractor issued a \$1,069,973 credit to the Department for improperly claimed per diem reimbursements for construction work at the Salt Waste Processing Facility (SWPF) at the Savannah River Site. The credit relates to an ongoing OIG investigation involving the contractor's payment of per diem to SWPF employees from 2002 to 2011. This credit is a result of an internal review initiated by the contractor after being asked to produce per diem related data to the U.S. Attorney's Office in the District of South Carolina in support of the OIG's investigation. (111SR021: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	39	40	40	42	24	30	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	2	0	6	0	0	1	0
TCS Fraud Case Support:							41
TOTAL:	41	42	46	42	24	32	53
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	0	0	2	1	0	0	0
Case Ratio:	5:1	10:1	6:1	7:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							13:1
Agents Assigned:	7	4	7	6	7	6	3
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	0	0	0	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	113
Total Hotline Complaints Predicated:	15
Total Referral Letters Issued:	3
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 06/08/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	7	0	0	7
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
1	0	0	20	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6), (b)(7)(C) • On June 5, 2012, [REDACTED] presented a briefing at the Eleventh Biennial DOE/Contractors Internal Audit Directors Joint Audit Meeting. The presentation focused on fraud trends and indicators and highlighted the great work being conducted by the OI staff throughout the country.

OTHER MATTERS

- SAs are reminded that upon receipt of a draft or final case-related press release from a prosecutor, a copy must be forwarded to the Operations Officers [REDACTED] (b)(6), (b)(7)(C) and the Deputy Assistant Inspector General for [REDACTED] (b)(6), (b)(7)(C) Investigations [REDACTED] Headquarters will coordinate further with the OIG's [REDACTED] (b)(6) Media Liaison [REDACTED]

JOYS, CARES, CONCERNS

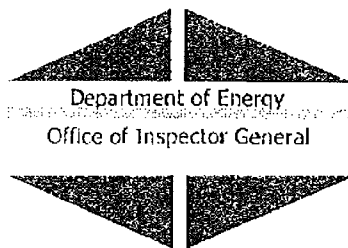
- On June 4, 2012, Region 3 welcomed [redacted] to Denver Investigations. [redacted] new contact information is: [redacted] (office), [redacted] (cell), [redacted] and [redacted].

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Standardized Production Reports** – Standardized Production Reports are used by OI employees to report their accomplishments during the performance review period. Updated reports have been posted to the IGNet under Employee Info/Office of Investigations/Standardized Production Reports. A new report has been added for field administrative support staff and the other reports have been updated to provide additional reporting instructions.
- **June Performance Progress Reviews** – June Performance Progress Reviews must be completed and acknowledged in the ePerformance system no later than June 27, 2012. If you have any questions about the June Performance Progress Review, please speak with your supervisor.
- **Assistant Inspector General for Investigations Awards** – A request for Assistant Inspector General for Investigations Award Nominations will be sent out to all OI staff next month. OI staff can make nominations for Investigator of the Year, Staff Person of the Year, Investigation of the Year and New Employee of the Year.

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Deputy Inspector General for Audits and Inspections
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Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending June 15, 2012

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued to Nevada Site Office (NSO)

On June 11, 2012, an IRM was issued to the Chief Information Officer, National Nuclear Security Administration (NNSA) in response to the loss of Personally Identifiable Information (PII) by an employee at the NSO. Specifically, the PII was lost when a NSO encrypted laptop computer and an unencrypted external hard drive were stolen from an NSO employee's car. The investigation found violations of Department policy regarding proper protection of PII. The IRM makes three recommendations for corrective action. (I12TC005: [REDACTED]) (b)(6),(b)(7)(C)

2. Federal Grand Jury Indicts Former Subcontractor Employees in Per Diem Fraud Investigations

On June 8, 2012, a Federal Grand Jury in the District of South Carolina indicted two former Department subcontractor employees on charges of theft of Government funds and false statements. As previously reported, the investigations determined that the former Department subcontractor employees fraudulently received over \$31,000 and \$9,700, respectively, in per diem benefits by falsifying per diem eligibility certifications. (I12SR001/I11SR026: [REDACTED]) (b)(6),(b)(7)(C)

3. Civil Settlement in Purchase Card Fraud Investigation

On June 4, 2012, a Hanford Site employee entered into a civil agreement and agreed to pay \$12,375 in restitution. As previously reported, the investigation found that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees who worked as material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for those kickbacks, the subjects conducted more than \$3.5 million in business with the vendor. (I09RL001: [REDACTED]) (b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	39	40	41	41	25	32	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	2	0	6	0	0	1	0
TCS Fraud Case Support:							41
TOTAL:	41	42	47	41	25	34	53
Cases Opened:	0	0	1	0	1	3	0
Cases Closed:	0	0	0	1	0	0	0
Case Ratio:	5:1	10:1	6:1	6:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							13:1
Agents Assigned:	7	4	7	6	7	6	3
Agents on Detail:	0	0	0	1	0	0	0
Agents on TDY:	2	1	1	1	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	145
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 06/15/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	8	0	0	8
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	1	0	20	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

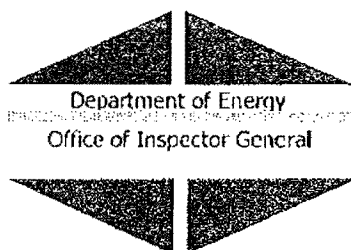
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending June 22, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Deputy Inspector General for Investigations (DIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Settlement in Foreign Corrupt Practices Act (FCPA) Investigation

On June 19, 2012, a two-count Criminal Information was filed in U.S. District Court for the Eastern District of Virginia against a Department contractor for violations of the FCPA. The investigation determined that Department contractor employees paid bribes to officials at an overseas nuclear power plant to secure contracts to perform services at the plant. The filing included a Deferred Prosecution Agreement in which the contractor admitted to paying bribes to foreign officials in violation of the FCPA. As part of the agreement, the contractor will pay \$8.82 million and enter into an Administrative Compliance Agreement to resolve the charges. This is a joint investigation between the (b)(7)(A)

(b)(7)(A)

(105HQ006: [REDACTED])

(b)(6),(b)(7)(C)

2. Former Subcontractor Debarred

On June 18, 2012, in response to an Investigative Report to Management (IRM), the Office of Procurement and Assistance Management notified the OIG of the debarment of a former subcontractor employee from doing business with the Federal Government for a period of 3 years. As previously reported, the individual was indicted, along with a second former Department subcontractor employee, for conspiracy and theft of Government funds totaling \$54,080 by submitting fraudulent per diem certifications. (110SR008: [REDACTED])

(b)(6),(b)(7)(C)

3. IRM Issued in Fraudulent Travel Claims Investigation

On June 19, 2012, an IRM with two recommendations for corrective action was issued to the Director, Acquisition and Supply Management, National Nuclear Security Administration (NNSA), and the Managers of the Los Alamos Site Office and Sandia Site Office. The investigation determined a Department subcontractor employee submitted and was reimbursed for fraudulent travel claims for lodging expenses. As previously reported, the subcontractor employee paid \$32,819 in restitution to the Department. (107AL007: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	40	40	41	41	25	33	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	2	0	6	0	0	1	0
TCS Fraud Case Support:							18
TOTAL:	42	42	47	41	26	35	53
Cases Opened:	0	0	1	0	1	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	10:1	6:1	6:1	3:1	5:1	4:1
TCS Fraud Case Ratio:							6:1
Agents Assigned:	7	4	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	0	0	1	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	105
Total Hotline Complaints Predicated:	11
Total Referral Letters Issued:	9
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 06/22/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	8	0	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	1	0	20	

RECOVERY ACT EFFORTS

The Office of Investigations completed 2 Recovery Act-related awareness briefings over the past week, as follows:

(b)(6), (b)(7)(C)

- On June 13-14, 2012, [REDACTED] provided briefings to senior staff members of the Knolls Atomic Power Laboratory, NNSA, in Schenectady, NY, and the West Valley Demonstration Project, West Valley, NY, respectively.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

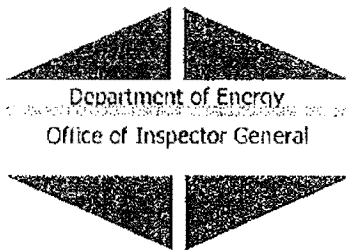
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

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Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Department of Energy
Office of Inspector General

Ending June 29, 2012

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SIGNIFICANT ACTIVITY

1. Search Warrant Executed in Access Device Fraud Investigation

(b)(7)(A)		
(b)(7)(A)	(I11AL013:	(b)(6),(b)(7)(C)

2. Overseas Search Warrant in Computer Intrusion Investigation

(b)(7)(A)		
(b)(7)(A)	(I12TC008:	(b)(6),(b)(7)(C)

3. Former National Laboratory Employee Enters into Civil Settlement

On June 12, 2012, the U.S. Attorney's Office for the Eastern District of Washington entered into a civil settlement agreement with a former contractor employee of the Pacific Northwest National Laboratory (PNNL). The investigation determined that the former employee submitted fabricated/altered documentation to PNNL to improperly receive tuition assistance and reimbursement for college courses the former employee did not complete. As a result of the settlement agreement, the former employee agreed to reimburse the Government. (I11RL001: (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	40	40	42	41	26	33	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	2	0	5	0	0	1	0
TCS Fraud Case Support:							18
TOTAL:	42	42	47	41	26	35	30
Cases Opened:	0	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	6:1	10:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							6:1
Agents Assigned:	7	4	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	2	4	1	0	3

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	98
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	10
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 06/29/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	8	0	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	1	0	20	

RECOVERY ACT EFFORTS

- (b)(6),(b)(7)(C)
- On June 26, 2012, [REDACTED] joined by (b)(6) (b)(6),(b)(7)(C), and [REDACTED] Acting Team Lead, (b)(6),(b)(7)(C) Central Audits Division, provided a Webinar briefing to 71 Energy Efficiency and Renewable Energy staff members from multiple geographic locations throughout the Department.

OTHER MATTERS

- The TCS Forensic Lab is beta testing a new eDiscovery software suite for potential deployment to the field. Intella Pro (<http://www.vound-software.com/Home>) is a cost effective tool that would allow agents in the field to review, analyze and produce reports on large sets of data seized in support of an investigation.

JOYS, CARES, CONCERNS

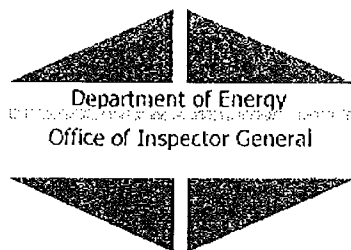
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

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Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending July 13, 2012

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SIGNIFICANT ACTIVITY

1. Sentencing in Wire Fraud Investigation

On June 29, 2012, a former Department contractor employee, who was a buyer for the Nevada Site Office, was sentenced to 5 months incarceration and 1 year probation, and ordered to pay \$42,127.08 in restitution in the Northern District of Indiana. The former contractor employee and another individual not affiliated with the Department previously pled guilty to five counts of wire fraud. The investigation determined that both individuals engaged in collusive procurement activities that resulted in kickbacks and embezzlement of Department funds. Sentencing is pending for the unaffiliated individual. This is a joint investigation with the (b)(7)(A)

(b)(6), (b)(7)(C)

(b)(7)(A)

(I08LV003: [redacted])

2. Sentencing in Copper Theft Investigation

On July 2, 2012, an individual not affiliated with the Department was sentenced by Weld County Colorado District Court to 120 days incarceration and 2 years probation. In addition, the individual was ordered to pay \$30,011 in restitution to the Department for theft of copper from the Western Area Power Administration's Ault substation. As previously reported, the individual pled guilty to burglary. This was a joint investigation with the (b)(7)(A)

(I10DN003: [redacted])

(b)(6), (b)(7)(C)

3. Plea Agreement in Recovery Act Grant Fraud Investigation

On July 2, 2012, an owner of a Department subcontractor company pled guilty in the Western District of Texas to one count each of being a felon in possession of a firearm and possession of a destructive device by a felon. During the execution of search warrants for grant fraud evidence in this case, multiple firearms and explosive devices were discovered and seized. As previously reported, the investigation determined the owner and a former Texas State Recovery Act Grant Coordinator conspired to submit fraudulent documents and false claims to obtain approximately \$2 million in Department Recovery Act funds. Sentencing is pending on the firearm-related charges. This is a joint investigation with multiple State and Federal agencies. (I11AL015: [redacted])

(b)(6), (b)(7)(C)

4. Company Enters into Civil Settlement Agreement

On July 10, 2012, the U.S. Attorney's Office for the District of Connecticut entered into a civil settlement agreement with a contractor of the National Energy Technology Laboratory (NETL). The investigation determined that the contractor submitted false billing invoices to NETL for work performed pursuant to a \$1.8 million cooperative agreement. As a result of the settlement, the contractor agreed to pay \$50,000, and create and implement a Government contract compliance program and an ethics training program. (109PT002: [REDACTED])

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	40	40	44	41	25	33	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	2	0	5	0	0	1	1
TCS Fraud Case Support:							19
TOTAL:	42	42	49	41	25	35	31
Cases Opened:	0	1	2	0	0	0	0
Cases Closed:	0	1	0	0	1	0	0
Case Ratio:	6:1	10:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							4:1
Agents Assigned:	7	4	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	2	1	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	189
Total Hotline Complaints Predicated:	13
Total Referral Letters Issued:	4
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 7/13/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	8	0	0	9
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed In CY 2012</u>	
0	1	0	20	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

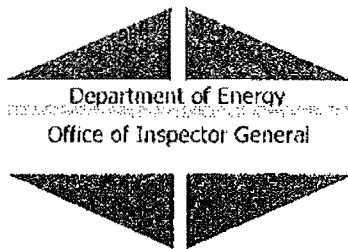
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- As you know, the IGNet has been updated. If you have not done so already, please request access using the directions below:
 1. Go to: <https://igcomm.doe.gov/user/register>
 2. Select "Create Account"
 3. Enter Username
 4. Enter Email Address
 5. Click "Create New Account" button
 6. Once your account has been approved, you will receive an email allowing you access to the site

The look and feel of the IGNet has changed. The tabs at the top of the page will help you navigate through the IGNet. The box on the right side of the screen will assist you with navigating within each tab. If you have any questions about the location of OI material, please contact a P3 staff member.

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WEEKLY ACTIVITY REPORT

Ending July 20, 2012

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SIGNIFICANT ACTIVITY

1. Former Department Contractor Employee Sentenced in Theft of Federal Funds Investigation

On July 17, 2012, in the U. S. Court District of Idaho, a former director of a Bonneville Power Administration (BPA) grantee was sentenced to 10 months incarceration and 3 years of supervised release and was ordered to pay restitution of \$36,485. The former director was previously charged with one count of theft of Federal funds, which came from a contract worth approximately \$400,000. The investigation determined that between September 2008 and July 2009, while employed by the BPA grantee, the former director embezzled the funds for personal use. (I11IF003: [REDACTED])

(b)(6),(b)(7)(C)

2. Co-conspirator Found Guilty by a Jury in Per Diem Investigation

On July 18, 2012, a Federal jury in the District of South Carolina returned a guilty verdict against a co-conspirator in a theft of Government per diem funds. The individual participated for scheme, which enabled a Savannah River Site subcontractor employee to fraudulently obtain \$54,000 in per diem funds. The former subcontractor employee had previously pled guilty and the co-conspirator entered into a Pre-Trial Diversion Agreement (Agreement). The co-conspirator withdrew himself from the Agreement and requested a trial. Both individuals have been suspended and debarred. (I10SR008: [REDACTED])

(b)(6),(b)(7)(C)

3. Information Filed in False Time Card Investigation

On July 9, 2012, in the U. S. District Court Eastern District of Washington, an information was filed against a former Hanford Site employee charging one count of conspiracy to defraud the Government with respect to claims. The investigation determined that between October 2003 and December 2008, the former employee and at least three other Hanford Site employees willfully entered into an agreement to defraud the Department by routinely submitting false timecards and receiving pay for numerous hours they had not worked over years of employment. (I08RL007: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	40	40	44	41	25	33	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	5	0	0	1	1
TCS Fraud Case Support:							18
TOTAL:	40	42	49	41	25	35	30
Cases Opened:	1	0	0	0	0	1	0
Cases Closed:	3	0	0	0	0	1	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							4:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	2	0	1	0	1	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	123
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 7/20/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
3	7	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed In CY 2012</u>	
1	0	0	21	

RECOVERY ACT EFFORTS

OI completed the following Recovery Act-related awareness briefing over the past week:

- (b)(6), (b)(7)(C) • Region 3 – On July 17, 2012, [REDACTED] provided a fraud awareness briefing to 15 employees of the Tennessee Community and Economic Development Agency in Nashville, TN. The employees included senior managers, contracting officers and administrative staff.

OTHER MATTERS

- SAs should review their open cases in EIGPT and ensure the "Element" code on the predication screen is correct. The "Element" code allows Operations Officers to decipher between DOE, NNSA and FERC investigations. This code is important when providing information to senior management for high level briefings or testimony.

JOYS, CARES, CONCERNS

- (b)(6), (b)(7)(C) • Please welcome three new members to the OI team: [REDACTED] (b)(6), (b)(7)(C) [REDACTED] Region 2 Investigations.

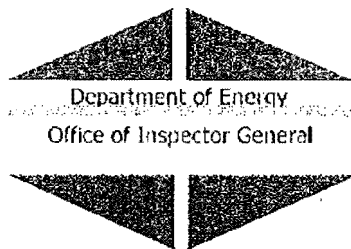
POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Travel Card Disputes** – If a traveler believes a charge on his/her travel card is incorrect, the traveler should dispute the charge. To dispute a charge, the traveler must log on to their travel card on-line account, select the transaction in question, and click on the dispute option. A temporary credit will be issued for the amount of the transaction being disputed. The temporary credit will last up to 60 days and should provide the traveler with sufficient time to resolve the dispute with the vendor. Disputing a charge through the traveler's on-line account will ensure that a disputed amount is not reported as past due during the period of time the traveler is working with the vendor to resolve a dispute. Please note, calling the travel card company (JP Morgan Chase) does not always result in the charge being officially disputed and as a result if not paid, it will show up as past due on the travel card statement.
- **AIGI Awards** – Nominations for AIGI Honorary Awards for 2012 are now being accepted. Nominations must cover performance and successes for the period from September 1, 2011 through August 31, 2012. Nominations forms can be found on the IGNet under Investigations Manual, Chapter 14 – Exhibit C. All nominations are due to Tara Porter, Director, P3, no later than Friday, September 7, 2012.

- **Mandatory Training** – All OI employees must complete the **2012 Information System Security Awareness Annual Training** no later than **August 24, 2012**. The course is available on Online Learning Center (OLC) and is listed in your To-Do List on the Welcome Page. The course may also be accessed in the News Link section on OLC under New and Featured Courses.

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WEEKLY ACTIVITY REPORT

Ending July 27, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Search Warrant Executed in Recovery Act Grant Fraud Investigation

(b)(7)(A)

(b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(I12CH008: [redacted])

2. Sentencing in Theft of Government Property Investigation

On June 25, 2012, in the Circuit Court of Monongalia County, WV, a former National Energy Technology Lab (NETL) contractor employee was sentenced to 1 year suspended sentence, 2 years probation, was ordered to perform 100 hours of community service and pay a fine. As previously reported, the former contractor employee embezzled over \$5,000 in supplies from a warehouse used to support NETL Morgantown operations. This is a joint investigation with the (b)(7)(A)

(b)(6),(b)(7)(C)

(b)(7)(A)

(I10PT010: [redacted])

3. Former Contractor Employee Debarred

On July 23, 2012, in response to an Investigative Report to Management, the Office of Procurement and Assistance Management notified the OIG that a former Oak Ridge National Laboratory contractor employee was debarred from doing business with the Federal Government for a period of 3 years. As previously reported, the individual used his Government-issued travel card to obtain \$28,000 in cash advances, gasoline and pre-paid credit cards for personal use. The former contractor employee pled guilty in the State of Tennessee's 6th District to theft of Government property and was sentenced to 3 years probation. (I10OR021:

(b)(6),(b)(7)(C)

[redacted]

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	40	47	39	25	35	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	5	0	0	1	1
TCS Fraud Case Support:							18
TOTAL:	40	42	52	39	25	37	30
Cases Opened:	0	0	3	0	0	1	0
Cases Closed:	0	0	0	2	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	6:1	3:1
TCS Fraud Case Ratio:							4:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	3	0	0	2	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	101
Total Hotline Complaints Predicated:	4
Total Referral Letters Issued:	1
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- **Bonneville Power Administration Employee Suspended Without Pay for Firearms Violations**

In response to an OIG referral, the Bonneville Power Administration (Bonneville) confirmed allegations that a Bonneville Field Inspector (Inspector) kept a personally owned pistol in the Inspector's assigned Government vehicle. The Inspector was suspended without pay for 2 weeks for violating Bonneville policy. The Inspector and other Bonneville employees were briefed on Bonneville's policies regarding firearms and Government vehicle usage. (112RS066: [REDACTED])

(b)(6),(b)(7)(C)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 7/27/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
7	6	0	0	13
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	1	21	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

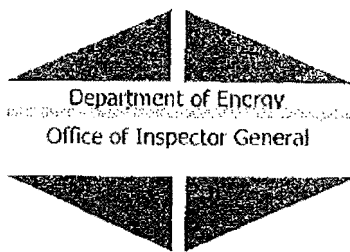
- **Mandatory Training** – All OI employees must complete the 2012 Information System Security Awareness Annual Training no later than August 24, 2012. The course is available on OLC and is listed in your To-Do List on the Welcome Page. The course may also be accessed in the News Link section on OLC under New and Featured Courses.
- **Training Status** – All OI employees must notify (b)(6) of the status of any training entered into CHRIS (e.g., completed, cancelled, rescheduled). Since CHRIS acts as DOE OIG's system of record for employee training, the information provided will be used to update employees' training records.

(b)(6)

(b)(6)

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WEEKLY ACTIVITY REPORT

Ending August 3, 2012

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SIGNIFICANT ACTIVITY

1. Trespassers Arrested at Y-12 National Security Complex

On July 28, 2012, the OIG arrested three individuals, with no Department affiliation, for trespassing on the Y-12 National Security Complex and vandalizing the Highly Enriched Uranium Materials Facility. On August 2, 2012, the U.S. Attorney's Office filed a criminal information for misdemeanor trespassing, while superseding felony charges are expected soon. The individuals will face a detention hearing on August 3, 2012. This is a joint investigation with the (b)(7)(A) [redacted] and has garnered significant media attention. (12OR018: [redacted]) (b)(6),(b)(7)(C)

2. Computer Intrusion Search Warrant

(b)(7)(A) [redacted]
(b)(7)(A) [redacted]
(b)(6),(b)(7)(C) (112TC004: [redacted])

3. Investigative Report to Management (IRM) Issued in Theft Investigation

On July 26, 2012, an IRM with one recommendation for corrective action was issued to the Director, National Energy Technology Laboratory (NETL). The investigation determined a former NETL contractor employee stole over \$5,000 in supplies from NETL. As previously reported, the former contractor employee was sentenced to 2 years probation, ordered to perform 100 hours of community service, and required to pay a fine. This was a joint investigation with the

(b)(7)(A) [redacted] (110PT010: [redacted]) (b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	36	40	49	39	25	35	12
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	5	0	0	1	1
TCS Fraud Case Support:							16
TOTAL:	36	42	54	39	25	37	29
Cases Opened:	0	0	5	0	0	1	0
Cases Closed:	2	0	0	2	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	6:1	3:1
TCS Fraud Case Ratio:							4:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	1	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	110
Total Hotline Complaints Predicated:	13
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 08/03/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	11	0	0	14
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	1	21	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

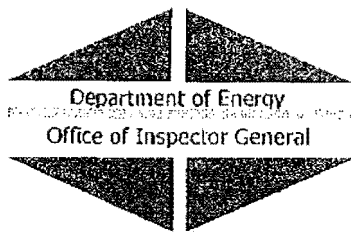
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All OI employees must complete the **2012 Information System Security Awareness Annual Training** no later than **August 24, 2012**. The course is available on OLC and is listed in your To-Do List on the Welcome Page. The course may also be accessed in the News Link section on OLC under New and Featured Courses.
- **CHRIS Workflow** – The Employee Training Workflow Profile in CHRIS for OI employees should be as follows:
 - Step 1 – Employee's First Line Supervisor
 - Step 2 – SKIP
 - (b)(6),(b)(7)(C) ○ Step 3 – (b)(6),(b)(7)(C)
 - (b)(6),(b)(7)(C) ○ Step 4 – MA
 - (b)(6),(b)(7)(C) ○ Step 5 – MA

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WEEKLY ACTIVITY REPORT

Ending August 10, 2012

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SIGNIFICANT ACTIVITY

1. Trespassers at Y-12 National Security Complex Indicted

On August 7, 2012, the three individuals previously arrested for trespassing on the Y-12 National Security Complex and vandalizing the Highly Enriched Uranium Materials Facility were indicted for misdemeanor trespassing and two counts of felony destruction of property. These charges carry a maximum possibility of 10 years imprisonment and a fine of \$250,000. This is a joint investigation with the (b)(7)(A) and continues to garner significant media attention.

(b)(6), (b)(7)(C)

(I12OR018: [redacted])

2. Two Search Warrants Executed for Theft of Government Property

(b)(7)(A)

(b)(7)(A)

(I12IF005: [redacted])

(b)(6), (b)(7)(C)

3. Former Department Subcontractor Indicted

On August 7, 2012, a Federal Grand Jury in the District of South Carolina indicted a former Department subcontractor on one count of theft of public funds and one count of false statements. The investigation determined the subcontractor falsified per diem certification forms in order to receive \$14,356.35 in per diem payments the subcontractor was not eligible to receive. If convicted, the subcontractor faces a maximum of 10 years imprisonment and a fine of \$250,000. (I11SR012: [redacted])

(b)(6), (b)(7)(C)

4. Actions in Time Card Fraud Investigation

On August 2, 2012, in the U.S. District Court for the Eastern District of Washington, a former Department contractor employee pled guilty to one count of conspiracy to defraud the Government. On August 6, 2012, a criminal information was filed charging another former Department contractor employee in the same work unit with one count of conspiracy to defraud the Government. The investigation determined that over a 5 year period the former Department contractor employees had routinely submitted time cards falsely claiming and receiving pay for hours they had not worked. (108RL007:)

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	36	41	51	39	24	35	14
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	3	0	0	1	0
TCS Fraud Case Support:							8
TOTAL:	36	43	54	39	24	37	22
Cases Opened:	0	1	0	0	0	0	2
Cases Closed:	0	0	0	0	1	0	8
Case Ratio:	5:1	8:1	7:1	6:1	3:1	6:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	0	0	0	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	67
Total Hotline Complaints Predicated:	9
Total Referral Letters Issued:	12
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 08/10/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases Open
3	10	0	0	13
Cases Completed This Week	Cases Opened This Week	Cases Withdrawn This Week	Total Closed in CY 2012	
1	0	0	22	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- The OIG Senior Leadership Meeting was held on August 7, 2012, with OI break-out sessions the following day.

JOYS, CARES, CONCERNS

- Today is [redacted] last day with OI. As you may know, [redacted] (b)(6),(b)(7)(C) retired in January 2008. However, [redacted] returned to OI in October 2009 as a retired (b)(6),(b)(7)(C) annuitant. [redacted] has assisted on various Headquarters ARRA matters, and [redacted] (b)(6),(b)(7)(C) institutional knowledge and subject matter expertise on a variety of ops-related issues (b)(6),(b)(7)(C) has proven invaluable. We wish [redacted] success in [redacted] future endeavors. Good luck (b)(6),(b)(7)(C) [redacted] (b)(6),(b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **AIGI Honorary Award Nominations** – Nominations for the AIGI Honorary Awards are due no later than August 31, 2012 (this is a revised due date). The award criteria for each award category and award nomination forms are outlined in Chapter 14 of the OI Investigations Manual. The OIG Award Ceremony is scheduled for October 15, 2012, at 1:00 PM in Washington, DC. Field offices will join the ceremony via video teleconferencing.
- **FY 2012 Performance Ratings** – All FY 2012 Performance Ratings must be completed no later than October 30, 2012. Supervisors will contact employees to schedule the performance rating meeting. At the time of the rating, employees who are eligible for a performance award must notify their supervisor whether they want to receive a cash or time-off award.

- **eOPF** – Employees should remember to regularly review their electronic Official Personnel File and notify (b)(6);(b)(7)(C)

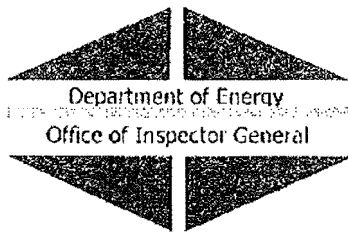
(b)(6);(b)(7)(C)

if there are any issues or questions.

- **Availability of Weekly Report** – Field offices are reminded that a copy of each Weekly Report should be printed each week and placed in a binder that can be reviewed by local Office of Audits and Inspections employees upon request.
- **Mandatory Training** – All OI employees must complete the **2012 Information System Security Awareness Annual Training** no later than **August 24, 2012**. The course is available on OLC and is listed in your To-Do List on the Welcome Page. The course may also be accessed in the News Link section on OLC under New and Featured Courses.

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WEEKLY ACTIVITY REPORT

Ending August 17, 2012

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SIGNIFICANT ACTIVITY

1. Interim Distribution of Bankruptcy Proceeds in Defective Body Armor Case

On August 13, 2012, the (b)(7)(A) confirmed that on July 26, 2012, the U.S. Bankruptcy Court for the District of Delaware approved an interim distribution order for a corporation involved in the manufacture and sale of defective Zylon body armor. Specifically, the corporation was aware that Zylon fiber was defective. The order allows an interim distribution of \$20,000,000 to be split among the general unsecured creditors including the United States. Of this amount, (b)(7)(A) \$3,564,883.84 will be distributed to (b)(7)(A). This case is an ongoing investigation by the (b)(7)(A) and several other Federal law enforcement agencies. (I04OR010: (b)(6),(b)(7)(C)

2. Information Filed Against Former Department Contractor Employee

On August 15, 2012, in U.S. District Court for the Eastern District of Washington, a criminal information was filed charging a former Department contractor employee with conspiracy to defraud the Government. The investigation determined that over a 5 year period, the former Department contractor employee and other Department contractor employees in the same work unit had routinely submitted timecards falsely claiming and receiving pay for hours they had not worked. The contractor employee is scheduled to enter a guilty plea in the near future. (I08RL007: (b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	40	41	51	38	24	30	13
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	3	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	40	43	54	38	24	32	22
Cases Opened:	0	0	0	0	0	0	1
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	1	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	106
Total Hotline Complaints Predicated:	5
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 08/17/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
3	10	0	0	13
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	22	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

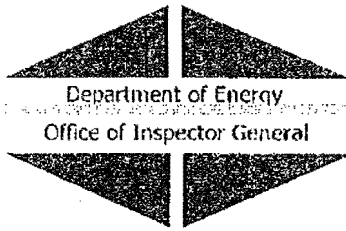
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Mandatory Training** – All OI employees must complete the **2012 Information System Security Awareness Annual Training** no later than **August 24, 2012**. The course is available on OLC and is listed in your To-Do List on the Welcome Page. The course may also be accessed in the News Link section on OLC under New and Featured Courses.
- **AIGI Honorary Award Nominations** – Nominations for the AIGI Honorary Awards are due no later than **August 31, 2012**. The award criteria for each award category and award nomination forms are outlined in Chapter 14 of the OI Investigations Manual. The OIG Award Ceremony is scheduled for October 15, 2012, at 1:00 PM in Washington, DC. Field offices will join the ceremony via video teleconferencing.
- **Distribution List for Firearms Coordinators** – A new OIG OI distribution list has been added to the Outlook Global Address List. The distribution list is for Firearms Coordinators and is titled **DL-IG-INV-Firearms**. The list includes the National Firearms Coordinator and all of the Regional Firearms Coordinators, including back-ups.

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WEEKLY ACTIVITY REPORT

Ending August 24, 2012

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SIGNIFICANT ACTIVITY

1. Settlement Agreement with Former Department Prime Contractor

On August 10, 2012, the U.S. Department of Justice settled a *qui tam* lawsuit by entering into a \$230,000 agreement with Bechtel Jacobs Company (BJC) - a former Managing and Operating contractor at the Department's Paducah, Kentucky, facility. The investigation focused on the relators' allegations that BJC had improperly handled and misclassified hazardous radioactive waste from 1996 to 2002. The settlement was the result of over-billing by BJC. (I03OR006; [redacted])

(b)(6),(b)(7)(C)

2. Former Bonneville Power Administration (BPA) employee pled guilty to the theft of Copper Cable

On August 14, 2012, a former BPA employee pled guilty to one count of felony theft in Spokane County, Washington, Superior Court for the theft of copper cable and was sentenced to one day incarceration and ordered to pay \$10,232 in restitution to BPA and an \$800 fine. The investigation substantiated that the former BPA employee stole copper cable in excess of \$20,000 from [redacted] duty location. The employee previously resigned on December 17, 2011, prior to a proposed termination. (I12RL001; [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

3. Arrest and Search Warrants Executed in Child Pornography Investigation

On August 21, 2012, a DOE contractor employee at Savannah River Site (SRS) was arrested, and a simultaneous search warrant was executed at the contractor's residence. These actions stemmed from an investigation into allegations that the contractor employee was searching for and viewing child pornography from [redacted] work computer at the SRS location. Prosecution is pending for alleged violations of state laws. (I12TC010; [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

4. Investigative Reports to Management (IRM) Issued to Office of Procurement and Assistance Management

On August 20, 2012, and August 22, 2012, IRMs were issued to the Director of the Office of Procurement and Assistance Management recommending suspension and debarment action against two former Hanford Site contractor employees who had worked as material coordinators. As previously reported, the investigation revealed that on multiple occasions within a 5 year period, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the contractor employees to purchase from the vendor rather than competing vendors. In return for those kickbacks, the contractor employees conducted more than \$3.5 million in business with the vendor. The two former contractor employees entered into civil agreements and agreed to pay \$11,000 and \$14,700 in restitution respectively. (I09RL001: [REDACTED]) (b)(6),(b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	41	47	38	25	30	13
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	3	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	40	43	50	38	25	32	22
Cases Opened:	0	0	0	0	1	0	0
Cases Closed:	0	0	3	0	0	0	0
Case Ratio:	5:1	8:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:5	5	0	1	2	0	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	122
Total Hotline Complaints Predicated:	10
Total Referral Letters Issued:	2
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 08/24/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	12	0	1	12
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	22	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6).(b)(7)(C) • On August 22, 2012 [REDACTED] provided a Recovery Act fraud awareness briefing to 12 members of the Virginia Department of Mines, Minerals and Energy in Richmond, VA. The audience included employees and senior staff members.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

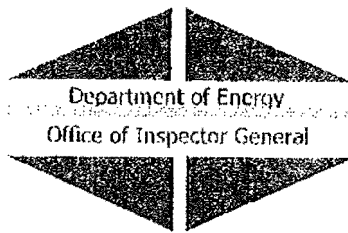
- (b)(6).(b)(7)(C) • Congratulations to [REDACTED] and [REDACTED] (b)(6) on the birth of their second (b)(6) (b)(6).(b)(7)(C)
[REDACTED] (b)(6) Best wishes!

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **AIIG Honorary Award Nominations** – Nominations for the AIIG Honorary Awards are due no later than August 31, 2012. The award criteria for each award category and award nomination forms are outlined in Chapter 14 of the OI Investigations Manual. The OIG Award Ceremony is scheduled for October 15, 2012, at 1pm in Washington, DC. Field offices will join the ceremony via Video Teleconferencing.

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WEEKLY ACTIVITY REPORT

Ending August 31, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Three Search Warrants Executed for Theft of Government Property and Program Fraud

(b)(7)(A)

(b)(6),(b)(7)(C)

(I12RL006: [redacted])

2. Former Department Employee Indicted in Travel Fraud Investigation

On August 28, 2012, a former Department manager was indicted by a Federal grand jury in the Eastern District of Idaho on one count of theft of Government property, based on allegations of submitting a false travel voucher. When interviewed by the

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

OIG, the manager admitted to falsifying [redacted] voucher and also altering other documents. (I11IF005: [redacted])

3. Two Hanford Site Contractor Employees Pled Guilty to Conspiracy to Submit False Time Cards

On August 23, 2012, in the U.S. District Court for the Eastern District of Washington, two Hanford Site contractor employees pled guilty to one count each of conspiracy to defraud the Government, a felony that carries a maximum penalty of 10 years of incarceration. The investigation determined that for a period of up to 5 years, these contractor employees and others in the same work unit routinely submitted time cards falsely claiming and receiving pay for hours they had not worked. (I08RL007:

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	40	43	44	38	26	30	13
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	40	45	48	38	26	32	22
Cases Opened:	0	2	1	0	1	1	0
Cases Closed:	0	0	3	0	0	1	0
Case Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:	0	2	1	0	1	1	2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	1	1	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	124
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	1
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 08/31/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	10	1	0	12
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	22	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Deputy Inspector General for Investigations John Hartman and AIGI Michael Milner visited to Central Investigation Operations Office at Oak Ridge, TN. During their visit they met with OI staff as well as [REDACTED]

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

and

JOYS, CARES, CONCERNS

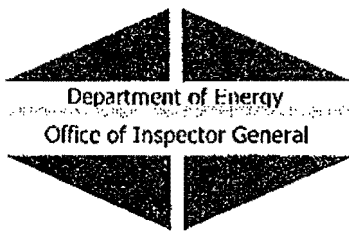
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- RAIC Program – SAs interested in applying to the Relief Agent-in-Charge (RAIC) Program must submit an application to their SAC no later than **September 21, 2012**. Detailed information about the RAIC Program can be found at OI Policy Manual, Chapter 16, Section VII.

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WEEKLY ACTIVITY REPORT

Ending September 7, 2012

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SIGNIFICANT ACTIVITY

1. Former Department Employee's Spouse Pled Guilty

On September 4, 2012, the spouse of a former member of the Department's Senior Executive Service pled guilty to one misdemeanor count of aiding and abetting in a matter in which they had a financial interest. As part of [redacted] plea agreement, [redacted] (b)(6), (b)(7)(C) has agreed to pay \$104,000 in restitution. The investigation revealed the former employee arranged for the spouse to receive over \$1.2 million in consulting fees and subcontract payments on a Department project the former employee orchestrated.

(b)(6), (b)(7)(C)

(109HQ018: [redacted])

2. Savannah River Nuclear Services (SRNS) Subcontractor Employee Terminated

On August 30, 2012, the OIG was informed that SRNS terminated a subcontractor employee for making false statements regarding per diem benefits and using a false social security number to gain access to the Savannah River Site. During the OIG investigation, the employee admitted to making false statements to SRNS to demonstrate eligibility to receive per diem benefits. The investigation is ongoing.

(b)(6), (b)(7)(C)

(112SR011: [redacted])

3. Investigative Report to Management (IRM) Issued to Office of Procurement and Assistance Management

On August 30, 2012, an IRM was issued to the Director of the Office of Procurement and Assistance Management recommending suspension and debarment action against a former Hanford Site contractor employee. As previously reported, the investigation revealed that on multiple occasions within a 5 year period, a Hanford-area vendor offered and provided kickbacks to multiple Department contractor employees. These kickbacks, which included cash, tickets to sporting events, gift cards, and other things of value, were intended to influence the contractor employees to purchase from the vendor rather than competing vendors. In return for the kickbacks, the contractor employees conducted more than \$3.5 million in business with the vendor. This former contractor employee previously entered into a civil agreement and agreed to pay \$12,375 in restitution. (109RL001: [redacted]) (b)(6), (b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	37	44	45	36	26	30	13
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	37	46	49	36	26	32	22
Cases Opened:	0	1	1	0	0	0	0
Cases Closed:	3	0	0	2	0	0	0
Case Ratio:	5:1	9:1	7:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	0	1	3	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	128
Total Hotline Complaints Predicated:	0
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 09/07/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	11	0	0	12
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	22	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

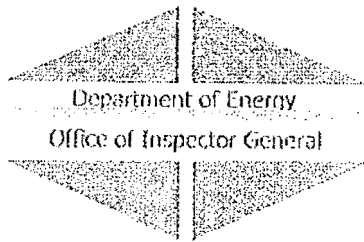
- Region 3 and Hotline – Congratulations to [REDACTED] and [REDACTED] (b)(6), (b)(7)(C) for their recent graduation from FLETC's Inspector General Investigator Training Program.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **FY 2012 Standardized Production Reports** – The Standardized Production Reports for all OI staff can be found on IGComm at: <https://igcomm.doe.gov/employee-information/standardized-production-reports>. These production reports should be used by OI employees to outline performance accomplishments for FY 2012.
- **FY 2012 Performance Ratings** – All FY 2012 Performance Ratings must be completed no later than October 26, 2012. Supervisors will contact employees to schedule the performance rating meeting. At the time of the rating, employees who are eligible for a performance awards must notify their supervisor whether they want to receive a cash or time off award.
- **FY 2013 Performance Plans** – All FY 2013 Performance Plans must be entered into ePerformance and acknowledged by employees no later than November 14, 2012.
- **Time Off Awards** – Time off awards must be used 12 months from the date in which the award is received. Employees can verify the date by which a time off award must be used by referring to the SF-50 used to generate the time off award or by asking their supervisor to verify the date in ATAAPs.

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WEEKLY ACTIVITY REPORT

Ending September 14, 2012

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SIGNIFICANT ACTIVITY

1. Sentencing in Grant Fraud Investigation

On September 10, 2012, the former Chief Financial Officer (CFO) of a Department grantee was sentenced in the U.S. District Court for the Eastern District of Tennessee to 36 months incarceration and 3 years supervised probation for wire fraud and money laundering. The former CFO was also ordered to pay restitution to the Department grantee in the amount of \$403,161 and a special assessment fee. The investigation determined the former CFO utilized several schemes to embezzle funds from the Department grantee over a 3 year period. (109OR009: [REDACTED] (b)(6).(b)(7)(C))

2. Former Department Subcontractor Enters Pretrial Diversion

On September 6, 2012, the U.S. Attorney's Office for the District of South Carolina notified the OIG that a former Department subcontractor employee entered into a Pretrial Diversion Agreement requiring 100 hours of community service and a suspension of employment with the Department or any of its subcontractors for a period of 18 months. As previously reported, a Federal grand jury in the District of South Carolina indicted the former Department subcontractor employee on one count of theft of public funds and three counts of false statements. The investigation determined the former subcontractor employee falsified three per diem certification forms in order to receive \$32,428 in per diem payments the subcontractor was not eligible to receive. The subcontractor has previously paid \$32,428 in voluntary restitution. (111SR024: [REDACTED] (b)(6).(b)(7)(C))

3. Former Hanford Site Contractor Employee Pled Guilty to Conspiracy to Submit False Time Cards

On September 10, 2012, in the U.S. District Court for the Eastern District of Washington, a former Hanford site contractor employee pled guilty to one count of conspiracy to defraud the Government with Respect to Claims. The plea was in response to a Criminal Information filed on September 7, 2012, charging the former contractor employee with one count of conspiracy. The investigation determined

that for a period of up to 5 years, the former contractor employee and others in the same work unit routinely submitted time cards falsely claiming and receiving pay for hours they had not worked. (I08RL007: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	37	44	44	37	26	30	13
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	37	46	48	37	26	32	22
Cases Opened:	0	0	0	1	0	0	0
Cases Closed:	0	0	1	0	0	0	0
Case Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	2	1	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 132
 Total Hotline Complaints Predicated: 27
 Total Referral Letters Issued: 2
 Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 09/14/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
2	10	0	1	13
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	1	0	22	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefings over the past week, as follows:

- (b)(6), (b)(7)(C) • On September 13, 2012 [redacted] provided a briefing in the Forrestal building to 6 recipients of the Department's Small Business and Innovation Research grants under the Fuel Cell Technologies Program.

OTHER MATTERS

- (b)(6), (b)(7)(C) • Deputy Inspector General for Investigations John Hartman and AIGI Michael Milner visited the Western Investigations Office in Albuquerque, NM. During their visit, they met with OI staff [redacted] Mr. Rick Curran, Director of Western Region for Inspections; and Mr. David Sedillo, Director of NNSA and Science Audits Division.

JOYS, CARES, CONCERNS

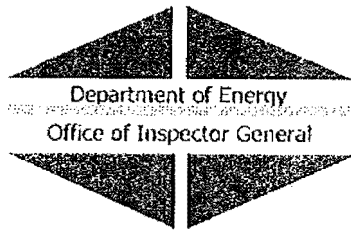
- (b)(6), (b)(7)(C) • Congratulations to [redacted] on [redacted] successful transition to [redacted] (b)(6), (b)(7)(C)
(b)(6), (b)(7)(C) [redacted]
(b)(6), (b)(7)(C) [redacted] is currently the [redacted]
(b)(6), (b)(7)(C) Good luck and best wishes [redacted]

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending September 21, 2012

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SIGNIFICANT ACTIVITY

- Response to Investigative Report to Management (IRM)

On September 17, 2012, in response to an IRM, the Director, National Nuclear Security Administration's Office of Acquisition and Supply Management, debarred a former Y-12 National Security Complex (Y-12) subcontractor employee. The investigation determined the former subcontractor employee, in role as project (b)(6),(b)(7)(C) manager, received kickbacks from a Y-12 vendor. The investigation also determined that over a 2 year period, the former subcontractor employee billed for time and received payment for hours did not work. As previously reported, the former subcontractor employee was sentenced to 6 months home confinement and 3 years probation, and was ordered to pay \$294,976 in restitution.

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(108OR002:)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	38	44	44	37	26	30	13
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	38	46	48	37	26	32	31
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	2	2	1	1	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	115
Total Hotline Complaints Predicated:	8
Total Referral Letters Issued:	14
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 09/21/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	11	0	0	11
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	22	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- Six SAs completed training for OI's new consensual monitoring equipment.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

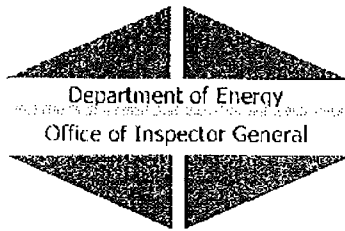
- None

JOYS, CARES, CONCERNS

- None

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WEEKLY ACTIVITY REPORT

Ending September 28, 2012

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SIGNIFICANT ACTIVITY

1. Sentencing in Recovery Act Grant Fraud Investigation

On September 20, 2012, an owner of a Department subcontractor company was sentenced in U.S. District Court for the Western District of Texas to serve 60 months incarceration, 6 years supervised release, pay an assessment, and forfeit interest and rights to 76 various weapons, explosive devices, stun grenades, and ammunition with an estimated value of \$16,175. As previously reported, the owner pled guilty to one count each of being a felon in possession of a firearm and possession of a destructive device, based on weapons and explosive. The investigation determined the owner and a former Texas State Recovery Act Grant Coordinator conspired to submit fraudulent documents and false claims to obtain approximately \$2 million in Department Recovery Act funds. The firearms and other items were discovered by an OIG agent during a search warrant. This is a joint investigation with multiple State and Federal agencies and (b)(7)(A)

(b)(7)(A)

(I11AL015: [REDACTED])

(b)(6),(b)(7)(C)

2. Two Former Contractor Employees Pled Guilty in Per Diem Investigations

On September 26-27, 2012, in U.S. District Court for the District of South Carolina, two former contractor employees pled guilty to one count of theft of Government funds in connection with fraudulently receiving per diem benefits while working at the Savannah River Site. As previously reported, a Federal Grand Jury indicted the former contractor employees for fraudulently receiving approximately \$31,732 and \$36,363 and in per diem benefits respectively. (I11SR017/I11SR026: [REDACTED])

(b)(6),(b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	39	44	42	37	25	29	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	39	46	46	37	25	31	20
Cases Opened:	1	0	0	0	0	0	1
Cases Closed:	0	0	2	0	1	0	3
Case Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	1	0	0
Agents on TDY:	0	2	2	0	4	0	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	94
Total Hotline Complaints Predicated:	17
Total Referral Letters Issued:	8
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 09/28/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
1	9	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
2	0	0	24	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6), (b)(7)(C) • Region 5 – On September 25, 2012, [REDACTED]
(b)(6), (b)(7)(C) [REDACTED] provided a fraud awareness briefing to approximately 50 employees of the Lawrence Berkeley National Laboratory's Joint BioEnergy Institute in Emeryville, CA.

OTHER MATTERS

- The statistics reconciliation for the last semiannual reporting period, April 1, 2012-September 30, 2012, is complete. With the completion do not enter any "actions" with a date of September 30, 2012 or earlier. If you become aware of statistics that occurred prior to September 30, 2012, work with your Assistant Special Agent-in-Charge to determine appropriate steps needed for reporting.
- Due to an OI Managers' Meeting, there will be no Weekly Report next week.

POLICY, PLANS AND PROGRAMS (P3) UPDATES

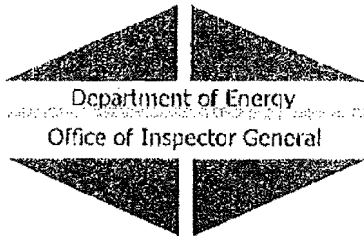
- None

JOYS, CARES, CONCERNS

- None

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending October 12, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- **Former Subcontractor in Per Diem Fraud Investigation Sentenced**

On October 2, 2012, in the U.S. District Court for the District of South Carolina, a former subcontractor employee at the Savannah River Site was sentenced for (b)(6),(b)(7)(C) role in aiding a coworker with fraudulently receiving per diem benefits. The former subcontractor employee was sentenced to 8 months home detention and 5 years of probation. As previously reported, this individual was indicted and found guilty by a jury for aiding a coworker with fraudulently receiving approximately \$54,080 in per diem benefits. (110SR008: (b)(6),(b)(7)(C))

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	45	41	37	24	30	11
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	40	47	45	37	24	32	20
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	0	0	1	0	0	0	0
Case Ratio:	5:1	9:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	5	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	2	0	0	0	2	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts: 154
Total Hotline Complaints Predicated: 21
Total Referral Letters Issued: 5
Positive Outcomes: 0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 10/12/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	11	0	0	11
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	24	

RECOVERY ACT EFFORTS

The Office of Investigations completed 6 Recovery Act-related awareness briefings, they are as follows:

- (b)(6),(b)(7)(C) • Region 1 – On October 2, 2012, [REDACTED]
(b)(6),(b)(7)(C) [REDACTED] provided a briefing to 65 members of the Office of Weatherization and Intergovernmental Programs at Headquarters in Washington, DC.
- (b)(6),(b)(7)(C) • Region 4 – On October 2-4, 2012, [REDACTED]
(b)(6),(b)(7)(C) [REDACTED] conducted 5 briefings to 45 managers, contractors, subcontractors, engineers, procurement and receiving employees from Los Alamos National Laboratory.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

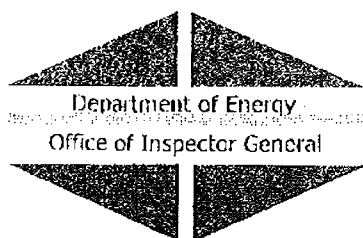
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- **Time off Awards** – Time off awards expire 1 year after issuance. Time off awards received as last year's performance award, will expire in the next few months. Please check eOPF to determine the expiration date.

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending October 19, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

- None

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	42	44	41	34	28	30	9
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	42	46	45	34	28	32	19
Cases Opened:	2	0	0	0	1	0	0
Cases Closed:	0	1	0	0	0	0	0
Case Ratio:	6:1	7:1	6:1	5:1	4:1	5:1	2:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	6	7	6	7	6	4
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	4	2	0	1	0	1	1

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	88
Total Hotline Complaints Predicated:	6
Total Referral Letters Issued:	2
Positive Outcomes:	1

HOTLINE POSITIVE OUTCOMES

- In response to an OIG referral, the Office of Special Counsel (OSC) confirmed allegations that a property officer at the National Energy Technology Laboratory engaged in activities prohibited by the Hatch Act. Specifically, the property manager, who was also the vice president of the local chapter of the American Federation of Government Employees Association, was found to have engaged in political activity while on duty by attending a 2008 labor union convention as a delegate during official duty hours. The OSC advised the employee that future prohibited political activities would be considered a knowing and willful violation of the law that could result in disciplinary action. (109RR072)

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 10/19/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	11	0	0	11
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	24	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

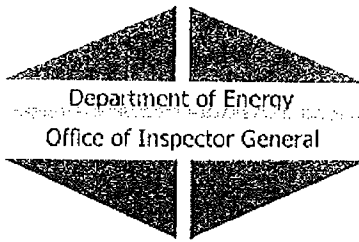
- (b)(6),(b)(7)(C) • Please join us in wishing [redacted] well as [redacted] begins [redacted] new position [redacted] next week with the National Aeronautics & Space Administration's OIG. [redacted] will be [redacted] missed. (b)(6),(b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

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Assistant Inspector General for Audits
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Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending October 26, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Weatherization Contractor Enters into Pretrial Diversion

On October 24, 2012, the U.S. Attorney's Office for the District of Kansas entered into a pretrial diversion agreement with the owner of a company contracted to provide weatherization services through funds awarded to the State of Kansas under the American Recovery and Reinvestment Act. As a condition of this diversion, the owner agreed to a future debarment action as well as 12 months' probation. The investigation determined the owner submitted payroll reports that falsely certified all of the company's employees working on weatherization projects had been paid in accordance with minimum wage requirements, when they had not. This was a joint investigation with the (b)(7)(A) (I11DN002: (b)(6),(b)(7)(C)

2. Federal Charges Filed in International Investigation

(b)(6),(b)(7)(C) On October 19, 2012, a former Department contractor employee was charged in the U.S. District Court for the District of Minnesota with one count of violating bulk cash smuggling. The OIG investigation determined that the former Department contractor employee received cash bribes from subcontractors in Taiwan who were working on a National Nuclear Security Administration project, and transported as much as \$70,000 in cash back to the United States without declaring it to Customs and Border Protection. (I11PT001: (b)(7)(A)

3. Settlement Agreement in Defective Body Armor Investigation

On October 18, 2012, the U.S. Department of Justice (DOJ) entered into a settlement agreement with a corporation and two former principals involved in the sale of defective body armor to the U.S. Government. The corporation and former principals agreed to pay \$250,000 to settle False Claims Act allegations. This part of the investigation focused on allegations that the corporation and principals made false statements and submitted false claims in connection with the sale of defective body armor to the Government. This is an ongoing investigation by the (b)(7)(A)

(b)(7)(A) and several Federal law enforcement agencies. (I04OR010: (b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	41	45	42	34	28	30	9
Hold:	0	2	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	41	47	46	34	28	32	18
Cases Opened:	0	1	0	0	0	0	0
Cases Closed:	0	0	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	5:1	4:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	6	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	0	0	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	71
Total Hotline Complaints Predicated:	7
Total Referral Letters Issued:	6
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 10/26/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
0	11	0	0	11
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	24	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

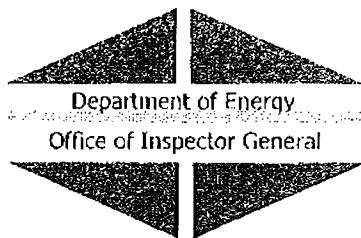
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending November 2, 2012

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SIGNIFICANT ACTIVITY

- None

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	41	46	42	35	27	29	9
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	41	47	46	35	27	30	18
Cases Opened:	0	0	2	1	0	0	0
Cases Closed:	0	0	2	0	1	0	0
Case Ratio:	5:1	7:1	6:1	5:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	6	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	0	0	0	0	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	81
Total Hotline Complaints Predicated:	2
Total Referral Letters Issued:	1
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 11/02/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	11	0	0	11
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	24	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

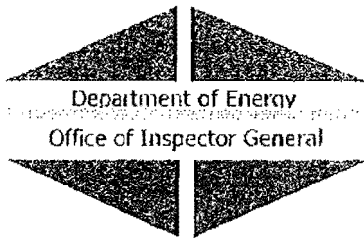
- (b)(6),(b)(7)(C) • Please join us in wishing [redacted] well as [redacted] begins [redacted] new position [redacted] (b)(6),(b)(7)(C)
next week with the Defense Criminal Investigative Service. [redacted] will be missed. (b)(6),(b)(7)(C)

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
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All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending November 9, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Actions in Per Diem Investigation

On November 5, 2012, the OIG was informed that a subcontractor at the Savannah River Site returned \$18,877 to the Department. The investigation determined that the subcontractor did not collect and review its employee's per diem eligibility documents as required under a Department contract. This failure caused the Department to inappropriately pay per diem to a former employee. Also, on November 7, 2012, a Federal grand jury in the District of South Carolina, indicted the former contractor employee on three counts of false statements. As previously reported, the former employee admitted to making false statements to the Department to demonstrate [redacted] eligibility to receive per diem benefits, and to using a family member's social security number as [redacted] own. The employee was terminated for providing false documents to the Department. (I12SR011: [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)

2. Former Contractor Employee Convicted in Kickback Investigation

On November 1, 2012, in the U.S. District Court for the Eastern District of Washington, a former Hanford Site contractor employee was charged and pled guilty to one count of misprision of a felony. The former Hanford Site contractor employee had knowledge of a crime being committed, did not report it, and acted to cover up the crime. The investigation determined that on multiple occasions between 2005 and 2008, a Hanford-area vendor offered and provided kickbacks to at least 14 material coordinators. These kickbacks, which took the form of cash, tickets to sporting events, gift cards and other things of value, were intended to influence the material coordinators to purchase from the vendor rather than competing vendors. In return for these kickbacks, the material coordinators conducted more than \$3.5 million in business with vendor. The former contractor employee agreed to pay restitution in an amount not to exceed \$250,000, incarceration up to 3 years and 1 year of supervised probation. Sentencing has been scheduled for February 7, 2013. (I09RL001: [redacted])

(b)(6),(b)(7)(C)

CASE INVENTORY

	<u>Region 1</u>	<u>Region 2</u>	<u>Region 3</u>	<u>Region 4</u>	<u>Region 5</u>	<u>Region 6</u>	<u>TCS</u>
Open Cases:	37	46	42	36	26	29	10
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	1	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	38	47	46	36	26	31	19
Cases Opened:	0	0	0	1	0	0	1
Cases Closed:	3	0	0	0	1	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	6	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	3	0	2	1	0	3	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	105
Total Hotline Complaints Predicated:	2
Total Referral Letters Issued:	2
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 11/09/2012

<u>With POFC</u>	<u>With MA POFC</u>	<u>In CIG</u>	<u>For Signature</u>	<u>Total Cases Open</u>
1	13	0	0	14
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdrawn This Week</u>	<u>Total Closed in CY 2012</u>	
0	2	0	24	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6), (b)(7)(C) • Region 5—On November 5, 2012, [REDACTED] conducted a briefing to 23 senior administrators and staff scientists relating to the use of laboratory-directed research and development funds at the Lawrence Berkeley National Laboratory.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

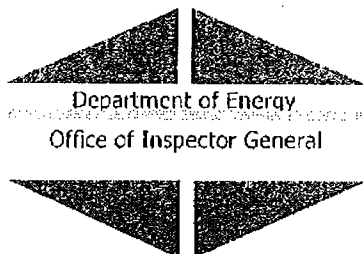
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
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WEEKLY ACTIVITY REPORT

Ending November 16, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Guilty Plea in International Investigation

On November 16, 2012, a former Department contractor employee pled guilty in the U.S. District Court for the District of Minnesota to one count of violating bulk cash smuggling. The OIG investigation determined that the former Department contractor employee received cash bribes from subcontractors in Taiwan who were working on a National Nuclear Security Administration project and transported as much as \$70,000 in cash back to the United States without declaring it to Customs and Border Protection. (I11PT001: [REDACTED])

(b)(6), (b)(7)(C)

2. Investigative Report to Management (IRM) Issued

On November 13, 2012, an IRM was issued to the Director, Office of Procurement and Assistance Management, recommending suspension and debarment action against the owner of a weatherization contracting company located in Kansas. The company was contracted by the State of Kansas to provide weatherization services under the Recovery Act. As previously reported, the owner entered into a pretrial diversion agreement for submitting falsified payroll reports. This was a joint investigation with the (b)(7)(A) [REDACTED] (I11DN002: [REDACTED]) (b)(6), (b)(7)(C)

3. Pretrial Diversion Agreement in Per Diem Investigation

On November 14, 2012, the U.S. Attorney's Office for the District of South Carolina notified the OIG that a former Department subcontractor employee had entered into a pretrial diversion agreement. The conditions of the diversion include restitution of \$14,356, 100 hours of community service, and a suspension of employment with the Department or any of its subcontractors for a period of 18 months. As previously reported, a Federal grand jury in the District of South Carolina indicted the former Department subcontractor employee on one count each of theft of public funds and false statements. The investigation determined that the former subcontractor employee falsified per diem certification forms in order to receive \$14,356 in per diem payments [REDACTED] was not eligible to receive. (I11SR012: [REDACTED]) (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	38	47	42	37	25	28	10
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	1	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	39	48	46	37	25	30	19
Cases Opened:	1	2	0	1	0	0	0
Cases Closed:	0	1	0	0	1	1	0
Case Ratio:	5:1	8:1	6:1	6:1	3:1	5:1	3:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	6	7	6	7	6	3
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	2	2	3	0	0	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	99
Total Hotline Complaints Predicated:	4
Total Referral Letters Issued:	0
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 11/16/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	14	0	0	14
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
0	0	0	24	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- AIGI Michael Milner sends special thanks to [REDACTED] (R4) for [REDACTED] (b)(6) (b)(7)(C) above-and-beyond efforts in putting together the new complaint form. Thanks also to the Hotline and Analysis Section staff for testing the new form and making a number of user-focused recommendations.

JOYS, CARES, CONCERNS

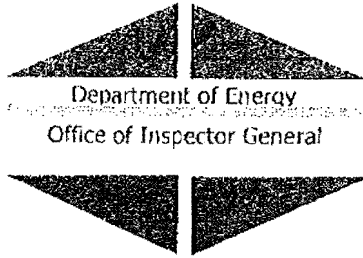
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

DISTRIBUTION

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Deputy Inspector General for Audits and Inspections
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending November 30, 2012

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SIGNIFICANT ACTIVITY

1. Sentencing of Former Weatherization Energy Auditor

On November 29, 2012, a former weatherization energy auditor for a community action program was sentenced to 2 years probation, with the first year to be served in home confinement, and 400 hours of community service for accepting kickbacks of weatherization funds earmarked for low-income families. As previously reported, the individual pled guilty to one count of bribery and one count of false statements in connection with lying to investigators about his receipt of over \$30,000 in kickbacks. This is an ongoing joint investigation with multiple Government agencies.

(b)(6), (b)(7)(C)

(110PT011: [REDACTED])

2. Criminal Information Filed Against Former Contractor Employee

On November 20, 2012, in U.S. District Court for the District of Oregon, a Criminal Information was filed against a former contractor employee charging [REDACTED] with one (b)(6), (b)(7)(C) felony count of making a false statement to the Government. The investigation determined that from at least 2003 to 2009 the former Department contractor employee falsified transmission line testing reports that were submitted to the Bonneville Power Administration. The former contractor employee faces up to 5 years imprisonment if convicted. (109RL010: [REDACTED]) (b)(6), (b)(7)(C)

3. Search Warrant in Department Grantee Investigation

(b)(7)(A)

[REDACTED]

(b)(6), (b)(7)(C)

(b)(7)(A)

(112CH005: [REDACTED])

4. Pretrial Diversion Program in Per Diem Investigation

On November 23, 2012, a former subcontractor employee entered into a Pretrial Diversion Agreement (PDA) with the U.S. Attorney's Office for the District of South Carolina. As part of the PDA, the former subcontractor employee was ordered to make restitution in the amount of \$9,739. As previously reported, a Federal grand jury in the District of South Carolina indicted the former subcontractor employee on one count of theft of Government funds and one count of false statements. The investigation determined that the former subcontractor employee fraudulently

received per diem benefits by falsifying per diem invoices. (112SR001: (b)(6), (b)(7)(C))

CASE INVENTORY

	Region <u>1</u>	Region <u>2</u>	Region <u>3</u>	Region <u>4</u>	Region <u>5</u>	Region <u>6</u>	TCS
Open Cases:	39	46	43	37	25	28	10
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	1	0	4	0	0	1	1
TCS Fraud Case Support:							8
TOTAL:	40	47	47	37	25	30	19
Cases Opened:	0	0	1	0	0	0	0
Cases Closed:	0	1	0	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	5:1	5:1
TCS Fraud Case Ratio:							2:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	1	1	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	184
Total Hotline Complaints Predicated:	12
Total Referral Letters Issued:	5
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 11/30/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
2	8	3	0	13
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in CY 2012</u>	
1	1	0	25	

RECOVERY ACT EFFORTS

The Office of Investigations completed 1 Recovery Act-related awareness briefing over the past week, as follows:

- (b)(6),(b)(7)(C) • Region 4 - November 16, 2012, [REDACTED] conducted a briefing at the Department's National Training Center in Albuquerque, NM, for the Training Managers Working Group Conference. There were 65 participants including management representatives from various Safeguards, Security, and Protective Force organizations.

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

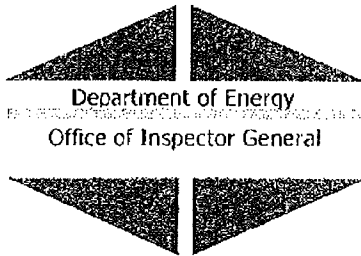
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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WEEKLY ACTIVITY REPORT

Ending December 7, 2012

The Office of Investigations (OI) "Weekly OIG Activity Report" is intended for the use of the Department of Energy (Department), Office of Inspector General (OIG) employees only. It may not be disclosed outside the OIG without prior approval of the Assistant Inspector General for Investigations (AIGI). The narratives contained in this report are general descriptions of investigative activities performed by OI Special Agent(s) (SA). Details on any particular matter may be obtained by reviewing the Executive Brief (IEB) in the Energy Inspector General Project Tracking (EIGPT) system.

SIGNIFICANT ACTIVITY

1. Sentencing on Research Grant Fraud

On November 30, 2012, in the U.S. District Court for the Middle District of Pennsylvania, a former Pennsylvania State University professor was sentenced to 41 months incarceration, 1 year supervised release, and ordered to pay \$640,660 in restitution. As previously reported, the OIG investigation determined the professor applied for and received a \$1.9 million research grant from the Advanced Research Projects Agency – Energy after already receiving a grant from the National Science Foundation to perform the same work. The professor pled guilty to wire fraud, false statements, money laundering, and also defrauding the National Institutes of Health on a separate \$1.2 million research grant. This is a Recovery Act investigation.

(b)(6),(b)(7)(C)

(I10HQ016: [REDACTED])

2. Recovered Funds as a result of an OIG Investigation

On December 5, 2012, the OIG was notified by the Livermore Site Office that Lawrence Livermore National Laboratory (Laboratory) paid \$222,264 to the Department from its management fee. The investigation determined that a Laboratory contractor employee made an unauthorized purchase, reimbursed by the Department, of equipment from a company in which he held a financial interest.

(b)(6),(b)(7)(C)

(I12LL011: [REDACTED])

3. Former Department Contractor Employee Pled Guilty

On November 30, 2012, in the Ninth Judicial District of Tennessee, a former Oak Ridge National Laboratory contractor employee pled guilty to one count of theft of services. The former contractor employee was sentenced to 3 years probation and ordered to pay restitution to the Department in the amount of \$20,000. The investigation determined the individual received payment for work [REDACTED] did not perform. (I10OR017: [REDACTED])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

4. Former Bonneville Power Administration (BPA) Employee Debarred

On November 29, 2012, the Deputy Director of the Office of Procurement and Assistance Management debarred a former BPA Federal employee for a period of 3 years. The investigation determined that the former BPA employee stole copper cable in excess of \$20,000 from [redacted] duty location. The employee previously resigned on December 17, 2011, prior to a proposed termination. (I12RL001:

(b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

5. Former Department Contractor Employee Debarred

On November 5, 2012, the Deputy Director of the Office of Procurement and Assistance Management debarred a former National Energy Technology Laboratory (NETL) contractor employee for a period of 3 years. As previously reported, the former NETL contractor employee was convicted of stealing over \$5,000 in Government property from NETL and was sentenced to 2 years unsupervised probation. This was a joint investigation with the [redacted] (b)(7)(A)

(b)(6), (b)(7)(C)

6. Civil Demand Letter Issued

On November 27, 2012, the U.S. Attorney's Office for the District of New Mexico issued a civil demand letter for \$19,574 to a former Los Alamos National Laboratory (LANL) contractor employee. The investigation determined that the former LANL contractor employee submitted and was paid for sick leave hours from LANL while being paid for work hours by a second employer. (I07AL013: [redacted] (b)(6), (b)(7)(C)

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	39	46	43	38	25	28	10
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							3
TOTAL:	39	47	47	38	25	30	14
Cases Opened:	0	0	1	1	1	0	0
Cases Closed:	1	0	1	0	1	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	5:1	7:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	0	4	1	1	0	0

HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	102
Total Hotline Complaints Predicated:	4
Total Referral Letters Issued:	14
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

FREEDOM OF INFORMATION/PRIVACY ACT (FOIA)

Status as of COB 12/07/2012

With POFC	With MA POFC	In CIG	For Signature	Total Cases <u>Open</u>
0	10	0	0	10
<u>Cases Completed This Week</u>	<u>Cases Opened This Week</u>	<u>Cases Withdraw This Week</u>	<u>Total Closed in FY 2013</u>	
4	0	0	5	

RECOVERY ACT EFFORTS

- None

OTHER MATTERS

- None

JOYS, CARES, CONCERNS

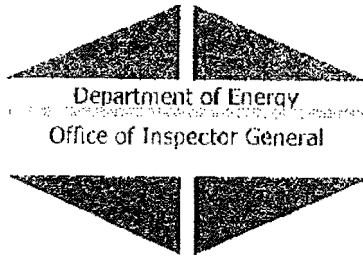
- None

POLICY, PLANS AND PROGRAMS (P3) UPDATES

- None

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Assistant Inspector General for Inspections
Deputy Inspector General for Management and Administration
All Office of Investigations Employees



WEEKLY ACTIVITY REPORT

Ending December 14, 2012

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SIGNIFICANT ACTIVITY

1. Investigative Report to Management (IRM) Issued in Bribery and Grant Fraud Investigation

On December 10, 2012, an IRM was issued to the Director, Office of Acquisition and Project Management, recommending suspension and debarment action against a former Department subgrantee employee. As previously reported, the individual pled guilty to defrauding the Weatherization Program and was sentenced to 2 years probation (first year home confinement), 400 hours of community service, and a court fee. This is a joint investigation with (b)(7)(A)

(b)(7)(A)

(I10PT011: [redacted])

(b)(6),(b)(7)(C)

2. Actions in Per Diem Investigations

On December 5, 2012, a former subcontractor employee at the Department's Savannah River Site, entered into a settlement agreement to resolve allegations of civil false claims act violations and will pay \$58,000, \$33,148 of which will be returned to the Department. In a separate investigation, on December 6, 2012, in U.S. District Court for the District of South Carolina, another former subcontractor employee was sentenced for fraudulently receiving per diem benefits while working at the Savannah River Site. The former subcontractor employee was sentenced to 5 years probation, 6 months home confinement, fined \$2,000, and ordered to pay \$31,732 in restitution. Both former subcontractor employees fraudulently received per diem benefits by falsifying eligibility certifications. (I11SR013/I11SR026: [redacted])

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

3. IRM Issued to the Office of Procurement and Assistance Management

On December 12, 2012, an IRM was issued to the Director of the Office of Procurement and Assistance Management, recommending suspension and debarment action against a former Hanford Site contractor employee. The investigation determined that over a 5 year period, the former contractor employee and other Hanford Site employees routinely submitted timecards falsely claiming and receiving pay for hours they had not worked. As previously reported, the former contractor employee pled guilty to one count of conspiracy to defraud the Government with respect to claims. Sentencing is scheduled for April 25, 2013.

(b)(6),(b)(7)(C)

(I08RL007: [REDACTED])

CASE INVENTORY

	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	TCS
Open Cases:	40	46	42	38	25	28	10
Hold:	0	1	0	0	0	1	0
Pending Closure/Action:	0	0	4	0	0	1	1
TCS Fraud Case Support:							3
TOTAL:	40	47	46	38	25	30	14
Cases Opened:	1	0	0	0	0	0	0
Cases Closed:	1	0	1	0	0	0	0
Case Ratio:	5:1	7:1	6:1	6:1	3:1	5:1	5:1
TCS Fraud Case Ratio:							1:1
Agents Assigned:	7	6	7	6	7	6	2
Agents on Detail:	0	0	0	0	0	0	0
Agents on TDY:	1	1	2	1	1	1	0

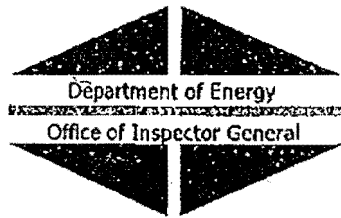
HOTLINE AND MANAGEMENT REFERRAL OPERATIONS

Total Hotline Contacts:	88
Total Hotline Complaints Predicated:	6
Total Referral Letters Issued:	8
Positive Outcomes:	0

HOTLINE POSITIVE OUTCOMES

- None

Document Number 8



Weekly Activity Report
Office of Audits and Inspections

Ending January 20, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Special Report on *"Lessons Learned/Best Practices during the Department of Energy's Implementation of the American Recovery and Reinvestment Act of 2009,"* January 19, 2012, OAS-RA-12-03, (A11RA055)

- The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009 as a way to jumpstart the U.S. economy, create or save millions of jobs, spur technological advances in science and health, and invest in the Nation's energy future. As part of the Recovery Act, the Department of Energy (Department) received more than \$35 billion to support a number of science, energy, and environmental initiatives. In addition, the Department noted that its authority to make or guarantee energy-related loans increased to as much as \$52 billion. As of December 31, 2011, the Department had obligated \$34.6 billion (98 percent) of the Recovery Act funding but had spent just over \$21 billion.
- The Department, with an "all hands on deck" organizational approach, made a concerted effort to implement and execute programs designed to meet the goals and objectives of the Recovery Act. As might be expected in such a complex undertaking, certain actions did not initially achieve their intended result. There were notable successes and some failures. As a consequence of our work, we identified a number of "lessons learned" that we believe can benefit Departmental operations now and in the future. Organized by category, these include: (a) Risk Management Practices; (b) Financial Management and Accounting and Reporting; (c) Human Capital Management; (d) Regulatory Compliance; and, (e) Delivery of Public Services.
- Our reviews confirmed that the Department had taken a number of significant actions to carry out its programs to meet the goals and objectives of the Recovery Act. For instance, management took various steps to enhance its risk management practices to help ensure that programmatic risks were identified and mitigated to the extent possible. In addition, program offices developed and implemented practices to aid in accounting and reporting for Recovery Act activities. Furthermore, the Department acted quickly to hire and/or reallocate staffing to administer and monitor activities associated with the Recovery Act. Programs also had initiated many actions to deliver services to the public, ranging from improving the energy efficiency of thousands of households to installing smart meters in various parts of the country to help improve the public's ability to manage electricity usage. Many of the activities carried out by the Department were the result of proactive efforts on the part of program offices. Yet, various other actions and program enhancements occurred in response to issues identified during our reviews.

■ In our view, the Recovery Act and its implementation and execution by the Department, both the positives and the negatives, represent an important "teachable moment" which should be used to inform and aid in the on-going transition to a post-Recovery Act environment. Of even greater importance, the issues raised can be utilized by all programs and sites to enhance Department operational effectiveness going forward. To this end, additional details are provided in the body of our report. A matrix describing and categorizing our body of Recovery Act-related work is attached as well. It should be noted that as of the date of this report, substantial Recovery Act funds have yet to be spent. For this reason, our work related to Recovery Act execution – audits, inspections and investigations – continues. Should additional "lessons learned" surface as on-going reviews evolve, we will provide supplemental information to the Department's leadership.

■ Management concurred with the information in the report and stated that it had made significant progress in addressing our findings and recommendations through implementation and completion of corrective actions. Management commented that it will continue to implement strong business practices to facilitate timely, accurate and complete reporting of both Recovery Act and base program activities.

Assistant Director:
Staff:

(b)(6)

Audit Report on "*The Department's Management of the Smart Grid Investment Grant Program*," January 20, 2012, OAS-RA-12-04, (A11TG018)

■ The Energy Independence and Security Act of 2007 charged the Department of Energy (Department) with establishing the Smart Grid Investment Grant (SGIG) program. More recently, the American Recovery and Reinvestment Act of 2009 (Recovery Act) provided the Department's Office of Electricity Delivery and Energy Reliability (OE) with \$3.5 billion to fund the SGIG program and to assist in modernizing the Nation's power grid. The SGIG program was to facilitate the installation of state-of-the-art information technologies and, ultimately, improve grid reliability and enable consumers to reduce the amount of energy used. The program required that the portion of a recipient's project paid for with Federal funds not exceed 50 percent of the total project cost. The Department awarded all of its available grant funds to 99 recipients, with awards ranging in value from \$397,000 to \$200 million.

■ Reliability of the grid, specifically, ensuring that the Nation's power grid is adequately protected from malicious cyber attacks has been and continues to be an area of concern in both the public and private sectors. Our report on the *Federal Energy Regulatory Commission's Monitoring of Power Grid Cyber Security* (DOE/IG-0846, January 2011) disclosed weaknesses related to the Critical Infrastructure Protection cyber security standards. In addition, the U.S. Government Accountability Office's report on *Electricity Grid Modernization* (GAO-11-117, January 2011) identified weaknesses regarding the implementation and enforcement of Smart Grid cyber security guidelines. Given the

importance of developing an effective and secure Smart Grid, we performed this audit to determine whether the Department adequately administered and monitored the SGIG program.

- Although the Department had taken a number of positive actions, our audit revealed several opportunities to enhance management of the SGIG program. The problems that we discovered could jeopardize achievement of Recovery Act goals. In particular, we found that Department officials approved Smart Grid projects that used Federally-sourced funds to meet cost-share requirements. Although specifically prohibited by regulation, one grantee inappropriately used \$1.8 million in Federal funds to meet grant cost-share obligations. In addition, one recipient was reimbursed twice for the same costs related to transportation. Furthermore, three of the five cyber security plans (required to be submitted by grantees) which we reviewed were incomplete, and did not always sufficiently describe security controls and how they were implemented.
- The issues we found were due, in part, to the accelerated planning, development, and deployment approach adopted by the Department for the SGIG program. In particular, the Department had not always ensured that certain elements of the SGIG program were adequately monitored. There was no assurance that the Department's grant monitoring methodology was completely effective. Furthermore, officials approved cyber security plans for Smart Grid projects even though some of the plans contained shortcomings that could result in poorly implemented controls. We also found that the Department was so focused on quickly disbursing Recovery Act funds that it had not ensured personnel received adequate grants management training.
- Without improvements, there remains a risk that the goals and objectives of the Smart Grid program may not be fully realized. From a business management perspective relating to taxpayer-provided funding, we questioned reimbursements totaling more than \$2 million for activities related to the use of Federal funds to meet cost-share obligations and duplicate cost reimbursement.
- Management generally concurred with the report's recommendations and indicated that it will take steps to respond to the recommendations. Management, however, expressed concerns with a number of assertions made in our report.

Team Leader: (b)(6)
AIC:
Staff:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On January 18, 2011, a meeting was held with senior Department of Energy officials, including the Deputy Assistant Secretary for Acquisition and Contracts (Head Contracting Authority), Office of Procurement, Contractor Industrial Relations and the Oak Ridge Office of Chief Counsel, to discuss contractor executive compensation. The overall objective of the meeting was to clarify the Department's position concerning the approval process for contractor executive compensation. In attendance from the Office of Inspector General were Sandra Bruce (Assistant Inspector General for Inspections) and Inspector's

(b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

- On January 17, 2012, the OIG held an entrance conference with the National Nuclear Security Administration (NNSA) for the Audit of NNSA's Mitigation of Natural Disasters at its Facilities. The audit objective is to determine whether NNSA has evaluated,

modified, or upgraded existing nuclear facilities in order to mitigate the effects of natural disasters. The audit is being conducted by the Albuquerque Audit Group.

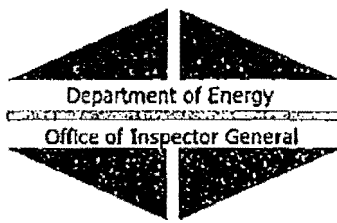
- On January 19, 2012, an entrance conference was held for the National Securities Technologies, LLC SCIC audit covering Fiscal Years 2008 through 2011. The audit is being conducted by the Las Vegas Audit Group and several Nevada Site Office officials were in attendance.

JOYS, CARES, CONCERNS:

- A going away luncheon for Darla Drager (Albuquerque Audit Group) was held on January 11, 2012 to thank Darla for over 13 years of dedicated service to the Office of Inspector General (OIG). Darla is relocating to Northern New Mexico to care for her (b)(6). We wish Darla and her family the very best!
- The YWCA of Oak Ridge places women and children in a confidential shelter to protect them from domestic violence in times of need. This holiday season, the Oak Ridge OIG adopted three families from the shelter, which included six children, and provided them with toys, coats, shoes, clothes, and personal items, and two children received toddler beds and mattresses. During this event, we raised over \$800 to bring these families some much needed holiday cheer.
- Ryan Belland is an auditor with the Oak Ridge Audit Group. His wife (b)(6) left for (b)(6). For the holidays, the Oak Ridge OIG adopted her and her troop by sending letters of support and Amazon/Visa gift cards. We sent 67 letters/cards and 10 gift cards totaling \$200 to brighten their holiday.

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Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending January 27, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *"The Department of Energy's American Recovery and Reinvestment Act – Arizona State Energy Program"*, January 26, 2012, OAS-L-RA-12-03 (A11RA001)

- Our review of American Recovery and Reinvestment Act of 2009 (Recovery Act) funding for Arizona's State Energy Program (SEP) found that Arizona had developed a number of processes and controls to accomplish the objectives of the SEP and the Recovery Act. For example, Arizona established a plan to select projects that would save energy and increase renewable energy sources; leveraged Recovery Act funds to increase economic stimulus and reduce project risk; and, tracked the number of jobs created by projects. However, we noted that Arizona had not always ensured timely commencement of project work at schools; applicable Recovery Act provisions were included in sub-recipient agreements; and, historic preservation office approvals were obtained prior to spending Federal funds to alter structures or sites.
- We found that School districts declined or delayed the installation of energy efficiency measures, such as upgrading lighting and climate control systems. According to an official with the State of Arizona School Facilities Board (SFB), some of the school districts that were awarded energy efficiency grants were unable to obtain the required matching funds or the approval of their local school district boards and/or declined to participate. The official stated that they had not acted sooner because they wanted to provide the districts with flexibility in implementing the grants due to their general lack of contracting experience. To its credit, on November 2, 2011, SFB approved a plan to reallocate \$1.2 million from recently cancelled energy efficiency projects to school solar projects.
- Required Recovery Act regulatory provisions and Federal financial assistance rules were not always included in sub-recipient agreements for school projects. A lack of local experience with Federal requirements led to the omission of key contract requirements despite controls established by the State. Arizona SEP officials informed us that they had sent proposed flow-down text to SFB and directed SFB to include the text in all open contracts. As of January 2012, contract revisions were underway.
- State Historic Preservation Officer (SHPO) approvals for small school solar projects were received and dated after construction had started for the projects. A SFB official stated that this occurred because SFB had no prior experience with managing projects that required SHPO approval. An Arizona SEP official also noted that there was some initial confusion due to an assumption that small school solar projects were exempt from historic preservation requirements. As of December 2011, Arizona informed us that SFB had received concurrence letters from SHPO for 40 of the 49 school solar projects and that the remaining school projects were being submitted to SHPO for review and approval.

■ We believe that management's planned actions appear reasonable. However, because of the delay in starting some projects, we suggested that the Department closely monitor SEP spending in order to meet Recovery Act objectives and ensure that all funds are expended by Department deadlines. In addition, we suggested that the Department ensure that Arizona completes actions to include the required provisions in all open contracts. Further, we suggested that Arizona ensure that SFB obtains the required State Historic Preservation Office approvals.

■ No formal recommendations were made in this report; therefore, a response was not required.

Team Leader:
AIC:
Staff:

(b)(6)

Examination Report on "*Saratoga County Economic Opportunity Council, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009*"
(OAS-RA-12-05, January 27, 2012)

■ The report presents the results of an examination of Saratoga County Economic Opportunity Council's (SARA) implementation of the Weatherization Assistance Program (Weatherization Program). The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Otis & Associates, PC (Otis), to express an opinion on SARA's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. SARA, located in Saratoga Springs, New York, is a sub-recipient of the Department of Energy's (Department) American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization funding for the State of New York.

■ The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of New York received \$394 million in Weatherization Program Recovery Act grant funding, of which \$6.89 million was allocated to SARA. The State of New York's Division of Housing and Community Renewal was responsible for administering Weatherization Program grants, including funds provided to SARA.

■ Otis expressed the opinion that, except for the weaknesses described in its report, SARA complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period July 1, 2009 to December 31, 2010. Specifically, the examination found that:

- Documentation supporting the evaluation of subcontractors was not available from SARA;
- Purchases made did not comply with the State of New York's and SARA's policies and procedures;

- A lack of adequate segregation of duties existed in Weatherization Program administration;
- Adequate records were not maintained by SARA to support the quarterly reports, as required by the Weatherization Program;
- Cash advances were not deposited in an interest bearing account, as required;
- A cash advance received by SARA for the Recovery Act Weatherization Program was not properly recorded in the accounting system; and,
- Vehicle and equipment usage, maintenance, and repair records were not maintained by SARA.

■ The report makes recommendations to SARA to improve the administration of its Weatherization Program. SARA provided responses that expressed disagreement with most of the findings, and/or their associated finding classifications. As a result, SARA provided additional supporting documentation for audit consideration. Otis reviewed the additional supporting documentation provided by SARA and made revisions to specific findings, and/or finding classifications as they deemed appropriate. It is important to note that finding classifications – Material Weakness, Significant Deficiency, and Advisory Comment – are based on auditor judgment and the associated risk or impact in the audit area.

■ State of New York officials provided responses that indicated SARA would provide additional supporting documentation, as discussed above, to clarify instances of disagreement. Further, New York officials concurred with several of the audit findings and indicated that SARA had opportunities to improve internal controls.

The work was performed by Otis and Associates.

Assisted by (b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- An entrance conference was held on January 25, 2012, to discuss the *Follow-Up Audit of Term Assignments of Contractors* (A12GT013). Present, at the entrance conference were representatives from the Offices of Management; Environmental Management; Science; Nuclear Energy; Energy Efficiency and Renewable Energy; Electricity Delivery and Energy Reliability; and, the National Nuclear Security Administration. The purpose of the audit is to determine whether the Department of Energy (Department) has effectively implemented the recommendations made in the prior audit and whether adequate controls are in place for the management and oversight of term contractor employees assigned throughout the Department. In attendance from the Office of Inspector General were

(b)(6)

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- An Entrance Conference was held on January 24, 2012 regarding the Inspection *Unclassified Foreign Visits and Assignments at the Oak Ridge National Laboratory* (S12IS003). Officials from Oak Ridge Office, Oak Ridge National Laboratory (ORNL) Site Office, and UT-Battelle attended the meeting. The objective of this Inspection is to determine if ORNL has effectively implemented the requirements of Department of Energy Order 142.3A, *Unclassified Foreign Visits and Assignments Program*. In attendance from the Office of Inspector General were (b)(6)

(S12IS003)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

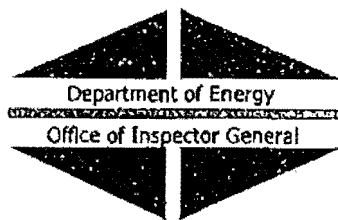
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending February 10, 2012

FINAL REPORTS ISSUED THIS WEEK:

Final Inspection Report on "*Alleged Misuse of American Recovery and Reinvestment Act Grant Funds by the Western Arizona Council of Governments*," (INS-RA-12-01, February 9, 2012)

- The Department of Energy (Department) Office of Inspector General received a complaint alleging a pattern of wasteful spending of American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization Assistance Program (Weatherization Program) funds and mismanagement of the Weatherization Program at the Western Arizona Council of Governments (WACOG). We initiated this inspection to determine whether Weatherization Program funds were used and administered for intended purposes and whether WACOG complied with relevant Federal and State regulations and program guidelines.
- The Department awarded a 3-year Recovery Act Weatherization Program grant for approximately \$57 million to the State of Arizona (Arizona). Arizona's Office of Energy administers the grant funds through 10 sub-grantees who are responsible for conducting weatherization activities in designated regions throughout the State. Arizona awarded WACOG approximately \$5.9 million of the Department's Recovery Act grant funds to weatherize homes in the western Arizona counties of Yuma, Mohave and La Paz. WACOG is a non-profit governmental association of local Arizona governments that provides a number of community services under various Federally funded programs.
- We were unable to substantiate the allegations that WACOG engaged in a pattern of wasteful spending or that it mismanaged the Weatherization Program. We did, however, observe several issues related to procurement of goods and services and the accuracy of Recovery Act reporting that should be addressed. Specifically, we observed that:
 - WACOG expended approximately \$133,000 for building improvements, office furnishings, software upgrades and a telephone system without obtaining required approvals from Arizona;
 - Contrary to Federal procurement policy, WACOG's purchase records did not always contain documentation showing evidence that a cost or price analysis was performed to determine if the best value was obtained. Also, WACOG's purchase policy of requiring price quotes based on a cost per unit threshold rather than an aggregate cost of the total purchase was not consistent with Arizona and Federal procurement policy;
 - Neither WACOG nor Arizona accurately reported completed housing units. WACOG reported 525 completed housing units, but 40 (7.6 percent), were termed "walkaways" where only initial energy audits were conducted with no

weatherization work actually performed. At the State level, Arizona reported 4,365 completed housing units, but 242 (5.5 percent), had only received the initial energy audit; and,

- WACOG had not always provided Arizona with accurate information regarding work performed on completed weatherized houses. Our review of a sample of 50 completed housing units revealed that 60 percent of WACOG's entries into the State's Weatherization Program database were inaccurate with regard to the actual work performed on the homes or the costs allocated to various funding sources.

■ These weaknesses occurred, in part, because of a lack of understanding and execution of Federal grant requirements, Department Weatherization Program policy and Arizona Weatherization Program requirements. Weaknesses in WACOG's management of the procurement of goods and services could result in the misuse of Weatherization Program funds and increase the risk of fraud, waste and abuse in the areas of capital expenditures and the purchasing of goods and services. In addition, weaknesses in the reporting of completed housing units and actual work performed could misrepresent the effectiveness of the Weatherization Program and hinder Arizona's ability to properly oversee WACOG's use of Recovery Act funds. Management concurred with the report's findings and recommendations and proposed corrective actions consistent with the recommendations.

Lead Inspector: (b)(6)

Assistant Inspector:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Audit Report on "*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of New York*," February 3, 2012, (A11RA023)

- The State of New York's (New York) Weatherization Assistance Program (Weatherization Program) is administered by the Division of Housing and Community Renewal (DHCR) through 74 local entities. New York's goal is to weatherize approximately 45,000 units with American Recovery and Reinvestment Act of 2009 funding, providing services to qualified elderly households, persons with disabilities and families with children, on a priority basis.
- Given the significant amount of funding involved and the demands associated with weatherizing thousands of homes, we initiated this audit to determine if DHCR and four of its local entities – Action for a Better Community, Inc. (ABC); Association for Energy Affordability, Inc. (AEA); People's Equal Action and Community Effort, Inc. (PEACE); and Saratoga County Economic Opportunity Council, Inc. (SARA) – had adequate safeguards in place to ensure the Weatherization Program was managed efficiently, effectively and in compliance with Federal and State laws and regulations.

■ DHCR had not always managed its Weatherization Program efficiently, effectively and in compliance with laws and regulations. Specifically, we found DHCR had not ensured that:

- Local entities complied with Federal cash management requirements governing requests for reimbursement, deposit of Federal funds in interest-bearing accounts and return of interest earned on advances of Federal funds to the Department. In fact, local entities retained cash well in excess of Weatherization Program needs. Rather than using funds advanced for ongoing needs as required, local agencies inappropriately retained approximately \$49 million of the \$54 million (90 percent) received in advances. Further, only 10 of New York's 74 agencies had deposited funds in interest-bearing accounts, as required; and,
- Information was maintained to track and monitor the quality of weatherization services, and where appropriate, take corrective action on systemwide deficiencies. In the absence of a system to identify underperforming contractors or weatherization measures that were frequently deficient, the State's ability to take appropriate corrective action to improve services was limited.

Team Leader: (b)(6)
AIC:
Auditor:

Draft Audit Report on "*The Department of Energy's Renewable Energy Efforts*" February 10, 2012, (A110R006)

■ In an effort to promote generation of renewable energy, the Energy Policy Act of 2005 (EPAct) requires that by Fiscal Year (FY) 2013 at least 7.5 percent of a Federal agency's annual electricity consumption be from renewable sources. Renewable sources include wind, solar, geothermal, hydropower and various forms of biomass. Agencies can obtain renewable energy by producing it on Federal lands, a method encouraged by EPAct, or by procuring it from developers or utility companies. As required by Executive Order 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*, the Department of Energy (Department) has also established a goal to reduce its greenhouse gas emissions by 28 percent by FY 2020. The Department can use renewable energy sources to assist in achieving its greenhouse gas reduction goal. Because of the importance of the Department's commitment to sustainability, we initiated this audit to determine whether the Department is effectively meeting the EPAct renewable energy requirements.

■ In FY 2010, 3 years before it was required to do so, the Department reported that it had met EPAct's overall requirement that at least 7.5 percent of its energy consumption be from renewable sources. Specifically, the Department acquired approximately 461,000 megawatt hours from renewable sources, representing over 9 percent of its annual electricity consumption of 4.8 million megawatt hours. Although the Department's progress exceeded EPAct requirements, our audit identified opportunities for improvement.

- Despite EPA's preference for producing renewable energy on Federal lands, the Department relied almost exclusively on purchases of renewable energy. In fact, in FY 2010, on-site renewable energy generation represented less than 1 percent of total electricity consumed Department-wide. The lack of large scale on-site projects occurred because of the challenges the Department faced in financing renewable energy projects.
- Sites may not have always purchased renewable energy in the most cost-effective manner. In particular, we noted significant variability in the costs sites paid to purchase renewable energy – ranging from \$0.44 to \$26.67 per megawatt hour. The cost variability we noted was often a result of the sites' lack of awareness about available purchasing options, and was not generally based on a detailed cost analysis of options that identified the best value. Department guidance on renewable energy purchases was also not sufficient in terms of providing sites with the information they needed to maximize value.
- The Department had not ensured its sites reported consistent and accurate renewable energy data. For example, some sites inaccurately reported either the megawatt hours or the cost of renewable energy purchased. The errors occurred because the Department had not provided sufficient guidance regarding data input. The Department's achievement of EPA's energy usage goals, however, was not affected by the errors.
- Given the importance of clean energy consumption and the Department's leadership role, we recommend that the Director of the Sustainability Performance Office: (1) work with the Federal Energy Management Program to resolve issues regarding the implementation of Power Purchase Agreements, including potential legislative changes, if necessary, to make them viable; (2) develop guidance on the different purchasing options available to the Department sites and the factors for best-value purchases; and, (3) clarify the guidance for the Consolidated Energy Data Reports, including reporting information and cost for purchased renewable energy to ensure accuracy and consistency.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Draft Audit Report on "*Quality Assurance of Black Cells at the Waste Treatment Plant,*"
February 6, 2012, (A11RL011)

- Bechtel National, Inc. (Bechtel) is responsible for construction of the Department of Energy's (Department) \$12.2 billion Waste Treatment & Immobilization Plant (WTP) to treat and encapsulate in glass the majority of the 53 million gallons of waste at the Department's Hanford Site. To shield plant workers from intense radiation that is expected from normal plant operations, processing vessels will be located in sealed compartments called "black cells." To reduce the risk of vessel failure at WTP, requirements are imposed on the fabrication of black cells and "hard-to-reach" areas including enhanced material traceability, non-destructive examination, and material identification testing.

■ An allegation was made to the Office of Inspector General (OIG) that quality assurance records for the black cells processing vessels at the WTP were not traceable to work performed. In response to the allegation, we initiated an audit to determine whether the Department was meeting quality assurance requirements for the fabrication of black cells and hard-to-reach processing vessels for the WTP.

■ Our review substantiated the allegation. We found that Bechtel had not met its contract requirements for the fabrication of black cells and hard-to-reach processing vessels for WTP. Specifically, we found that:

- Nondestructive examination records (NDE), which provide evidence that welds met specifications, were missing for two vessels;
- Quality assurance records providing traceability of weld filler material, welding procedures, welders and NDEs to the associated area of use or part of the vessel were incomplete for six vessels; and,
- Positive Materials Identification (PMI) records, which provide evidence that materials and components underwent testing, were missing four tests for two vessels. (b)(5)

(b)(5)

■ (b)(5)

■ In addition to the issues identified above, we determined that Bechtel was paid a \$15 million fee in 2003 for a vessel that did not conform to contract requirements because it lacked adequate quality assurance records. Although the Department initiated action to recoup the fee, neither the Department's Office of River Protection nor Bechtel could provide evidence that the fee was returned to the Department.

■ Weaknesses in quality assurance records associated with black cells and hard-to-reach processing vessels occurred because, in our judgment, inspectors employed by Bechtel and located on-site at contractor facilities lacked the qualifications to adequately oversee non-destructive examinations. Additionally, Bechtel's receipt inspection procedures were deficient in that reviews of quality assurance records that accompanied the vessels were limited to basic procedures, such as determining that the expected numbers of pages of documentation were received. Also, the Department's oversight of Bechtel was not adequate in that it did not identify weaknesses in Bechtel's processes that allowed the deficiencies to occur.

■ Although the Department had taken a number of actions to address the deficiencies that we identified, we made several recommendations to further strengthen the Department's quality assurance processes and to recoup the performance fee paid by the Department for a non-conforming vessel.

Team Leader:
AIC:

(b)(6)

Draft Management Alert on *"Purchase of Computers for the U.S. Department of Agriculture Forest Service at the Savannah River Site,"* February 9, 2012, (A12SR010)

- In October 2011, the Office of Inspector General received a complaint that the U.S. Department of Agriculture Forest Service - Savannah River (Forest Service) had purchased a number of computers under its Interagency Agreement (Agreement) with the Department of Energy's Savannah River Operations Office (SRO) that were not placed into use and were being stored in a manner that left them vulnerable to theft or misuse.
- We confirmed the existence of 17 Hewlett Packard (HP) desktop computers that had been purchased in September 2010 by the Forest Service with SRO funds, with the intention of connecting the computers to the Savannah River Site (SRS) network. One of the 17 computers had been placed into use, while the other 16 were being stored in an SRS office building. In fact, 14 of the 16 unused computers were in unopened boxes. We also substantiated that the computers were not stored in a secure location. Furthermore, we determined that, contrary to property management guidelines, none of the computers had been recorded in a property accountability system.
- In 1990, the SRO entered into an Agreement with the Forest Service to conduct a natural resource stewardship program at SRS. The Forest Service retains title to property purchased with funds provided by SRO until the Agreement is terminated or expires, at which time the title would transfer to SRO. In February 2011, the Agreement was modified to specifically address computer purchases. The amended Agreement stated that Forest Service procured computers requiring site network access will be titled to SRO in order to maintain security control of the items, provide appropriate network capability, and to support Forest Service activities.
- We determined that much of the delay appears to have occurred because the Forest Service's computer needs were not effectively communicated and coordinated with the appropriate SRO IT personnel to ensure that a timely, workable solution was arranged. SRO Safeguards and Information Technology (IT) officials who are responsible for managing and overseeing SRS automated data processing and communications, to include identification of capability needs and acquisition of resources, informed us that the Forest Service had not coordinated the planned purchase of the computers with them.
- Accordingly, we made recommendations to SRO to improve coordination with the Forest Service regarding IT equipment purchases.

Team Leader: (b)(6)
AIC:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- On February 8, 2012, the Office of Inspector General held an entrance conference with the Department of Energy and the National Nuclear Security Administration for the Audit of Contract Awards Made to Tax Delinquent Contractors. The audit objective is to determine whether the Department is effectively limiting awards to tax delinquent contractors. The audit is being conducted by the Germantown Audit Group.

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On February 6, 2012, Eastern Region inspectors conducted interviews at the Strategic Petroleum Reserve (SPR) based on an allegation that SPR caverns were being over-filled. The objective of the inspection is to determine the facts and circumstances concerning the allegation.

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

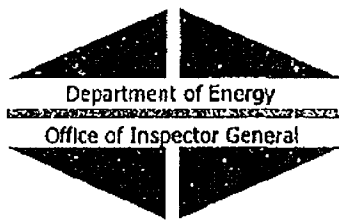
- **Confidential Financial Disclosure Report** – If you received a CHRIS email notifying you to file an Annual Confidential Financial Disclosure Report, please ensure that the report is filed no later than February 15, 2012.
-

JOYS, CARES, CONCERNS:

- Joanne Hill, Director, Central Office Division, Office of Inspector General, and her husband (b)(6) joyfully announce the birth of their (b)(6) (b)(6) (b)(6) Parents, grandparents and baby (b)(6) are all in good health and doing well. Please join us in congratulating Joanne and her family on the arrival of (b)(6)
-

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending February 16, 2012

FINAL REPORTS ISSUED THIS WEEK:

Final Inspection Report on "*Property Accountability and Protection of Federal Sensitive Unclassified Information under the Cooperative Agreement with the Incorporated County of Los Alamos*," (DOE/IG-0859, February 16, 2012)

- In December 2010, the Office of Inspector General received a complaint alleging that Federal government property, including computers, was missing from the Los Alamos Fire Department (Fire Department). During our initial evaluation of this complaint, we also became aware that Sensitive Unclassified Information provided to the Fire Department by Los Alamos may not have been adequately protected. Therefore, we initiated this inspection to determine if Federally-owned personal property under the Cooperative Agreement was adequately managed.
- On September 30, 2008, the National Nuclear Security Administration (NNSA) entered into a 5-year Cooperative Agreement with the County of Los Alamos, New Mexico. The general intent of the Cooperative Agreement, whose cost per year to the Federal government averages approximately \$16 million, was to provide financial support, equipment, services and the use of fire station facilities to the County in return for Fire Department services. Further, under the Cooperative Agreement, the Fire Department provides an enhanced level of services to support the Department of Energy's (Department) Los Alamos National Laboratory. The Cooperative Agreement contains provisions for the management of Federally-owned personal property provided to the Fire Department by NNSA. The Business Services Division of the NNSA Albuquerque Complex in Albuquerque, New Mexico, has contracting oversight of the Cooperative Agreement, while the Los Alamos Site Office is responsible for day-to-day administration.
- We substantiated the allegation that property, including computers, was missing. Despite Department requirements, effective processes and procedures were not in place to ensure the proper control and accountability of Federally-owned personal property in possession of the Fire Department. Specifically, the Fire Department had not:
 - Reported lost or stolen items to Los Alamos, as required. A 2010 inventory revealed that, among other property, nine computers, four cameras, a video projector and 40 radios were missing. However, the items missing were never reported nor were the losses ever investigated. Also, actions were not taken to determine financial responsibility for the missing property;
 - Maintained an up-to-date listing of all Federally-owned personal property in the custody of the County; and,

- Always properly identified Federally-owned personal property at the time of acquisition or ensured the proper disposal of excess property.

■ These problems occurred, in part, because the Los Alamos Site Office did not ensure that the property management provisions, which were part of the Cooperative Agreement, had been effectively implemented. In addition, the County did not manage its Federally-owned personal property in a manner consistent with the requirements of the Cooperative Agreement. Notably, the Fire Department did not always implement County directives designed to ensure the proper control and accountability of Federally-owned personal property in its possession. As a consequence of this environment, Federally-owned personal property was not adequately safeguarded against misuse, theft or misappropriation.

■ During the course of our inspection, concerns were raised that Sensitive Unclassified Information provided to the Fire Department by the Los Alamos Site Office may not have been adequately protected. We added this issue to the scope of our review. We found that the Fire Department may not have adequately protected Sensitive Unclassified Information in its possession. Federal officials were aware of cyber security weaknesses related to the protection of Sensitive Unclassified Information provided to the County. However, in spite of specific suggestions to do so, the Los Alamos Site Office did not require the Fire Department to strengthen protective measures.

■ This issue notwithstanding, we could not reach a definitive conclusion regarding the overall level of protection of Sensitive Unclassified Information which was in the hands of the Fire Department. We did note, however, that the NNSA did not ensure that all requisite provisions for cyber security were incorporated into the Cooperative Agreement. As a consequence, these problems created an environment where Sensitive Unclassified Information provided to the County of Los Alamos may be subject to loss or compromise.

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Lead Inspector:
Assistant Inspector:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *"Follow-up on the Department of Energy's Implementation of the Advanced Batteries and Hybrid Components Program Funded under the American Recovery and Reinvestment Act,"* February 14, 2012, (A11RA020)

■ Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Advanced Batteries and Hybrid Components Program (Batteries Program) received almost \$2 billion to support the construction of U.S. based battery and electric drive component manufacturing plants. As of (b)(5) 2012, the Batteries Program had awarded 30 grants to "for-profit" manufacturers and had expended about (b)(5)

■ In April 2010, we issued our first report on the Batteries Program, *Progress in Implementing the Advanced Batteries and Hybrid Components Program under the*

American Recovery and Reinvestment Act (OAS-RA-L-10-04). In short, we concluded that the Department had made significant progress in implementing the Batteries Program, including developing a comprehensive monitoring system plan to reduce the financial, technical and marketing risks associated with large-scale projects. Because of the importance of the Batteries Program to stimulating the economy, creating jobs and establishing a U.S. capability to manufacture advanced batteries, we initiated this follow-up audit to determine whether the Department had managed the Batteries Program efficiently and effectively. (b)(5)

(b)(5)

■ Our review identified opportunities for the Department to improve its administration of the Batteries Program by communicating transparency and accountability expectations to recipients. Specifically, the Department had not:

- Provided guidance to for-profit recipients regarding its expectations as to what it considered to be "best commercial practices" for procurements under its financial assistance regulations;
- Ensured assets acquired with Federal grant funds were properly safeguarded, as required; and,
- Obtained audit reports attesting to the existence of internal controls and compliance with laws and regulations for 8 of 28 recipients.

■ These conditions existed, in part, because the Department had not fully communicated its expectations to recipients. Further, in our judgment, the Department needed to improve its oversight of recipients by verifying the existence of purchased equipment and obtaining required grantee audit reports. As a result, the Department is at risk of incurring unnecessary costs and not meeting all requirements of the Recovery Act.

Team Leader: (b)(6)

AIC:

Auditor:

Report on "The Department of Energy's American Recovery and Reinvestment Act -- New York State Energy Program," February 15, 2012. (A11RA030)

■ The Department of Energy's (Department) State Energy Program (SEP) provides grants to states, territories and the District of Columbia to support their energy priorities and fund projects that meet their unique energy needs. The American Recovery and Reinvestment Act of 2009 (Recovery Act) significantly expanded the SEP by providing an additional \$3.1 billion for state projects. The New York State Energy Research and Development Authority (NYSERDA) was allocated \$123.1 million in SEP funds under the Recovery Act to undertake multiple energy efficiency and renewable energy programs and projects throughout the State of New York. We initiated this review to determine whether NYSERDA's use of Recovery Act funds was in accordance with Department SEP requirements.

- NYSERDA had, for the most part, implemented processes and controls to manage its SEP Recovery Act funding and was generally in compliance with the selected Recovery Act requirements we examined during our review. However, we identified several concerns that should be addressed to ensure that Recovery Act goals are met. Specifically, our review revealed that NYSERDA planned to advance over \$1.2 million to a contractor for work scheduled to be completed after the April 30, 2012, expiration date of NYSERDA's Recovery Act grant; and, paid improper travel and unsupported costs of approximately \$12,825 to its contractors and subcontractors. Additionally, we noted that NYSERDA had been slow to expend its grant funds. As of December 22, 2011, it had only expended \$72 million (approximately 60 percent) of its \$123.1 million award.
- We noted that the Department's direction to NYSERDA was not always timely and adequate. Also, NYSERDA's omission of a key Federal requirement from its policy and cost reimbursable contracts limited the effectiveness of its cost controls over Recovery Act funds. As a result, NYSERDA's controls over contractor invoice processing were inadequate for identifying costs incurred that exceeded established FTR per diem rates and unsupported travel costs.
- NYSERDA's corrective actions to address the issues we identified in this report, once completed, will help it maximize the effectiveness of its project management and evaluations efforts, and expedite the stimulative effect of its Recovery Act expenditures. Accordingly, we made several recommendations to further strengthen cost controls and ensure that Recovery Act goals are met and funds are properly and timely spent.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *"Audit Coverage of Cost Allowability for Los Alamos National Laboratory during Fiscal Years 2008 and 2009 under Department of Energy Contract No. DE-AC52-06NA25396,"* February 15, 2012, (A10AL013)

- Since June 2006, Los Alamos National Security, LLC (LANS), has operated the Los Alamos National Laboratory (Los Alamos). Los Alamos is required by its contract to account for costs incurred annually on its Statement of Costs Incurred and Claimed (SCIC), to maintain an Internal Audit activity, and to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor. During Fiscal Years (FY) 2008 and 2009, Los Alamos' Ethics & Audit Division (Internal Audit) was responsible for internal audits, while its Acquisition Services Management (ASM) Division was responsible for subcontract audits.
- Based on our audit, nothing came to our attention to indicate that the allowable cost-related audit work performed by Los Alamos' Internal Audit for FYs 2008 and 2009 could not be relied on. We did not identify any material internal control weaknesses

with cost allowability audits. However, we are questioning \$1,954,308 of costs identified by Internal Audit that had not been resolved. As of January 2012, the Contracting Officer was working with Los Alamos to resolve the questioned costs.

- Additionally, we found material weaknesses in the FY 2008 and 2009 subcontract audit work performed by ASM, which did not meet relevant auditing standards. We question whether ASM's reviews were sufficient to determine the allowability of those incurred costs. Therefore, we consider \$165,092,842 in subcontract costs incurred in FYs 2008 and 2009 that ASM reviewed to be unresolved pending Internal Audit review of their work.
- We also question whether Los Alamos' subcontract audit strategy, which was based on a subset of the Defense Contract Audit Agency's requirements, provides sufficient coverage to ensure that only allowable costs are paid with National Nuclear Security Administration (NNSA) funds. Under the strategy, which was revised in 2009 and made retroactive to 2006, only two of the 975 cost-type subcontracts and none of the 429 time and materials/labor hour subcontracts active during the period required audit.
- In addition, we consider \$271,982,318 in previously reported subcontract costs from 2007 as unresolved pending audit. NNSA's response to our prior report committed to having these costs audited. However, the contractor believed most of the 28 subcontracts did not require audit under the thresholds approved in 2009.
- Finally, we identified concerns with control issues also identified by the NNSA Chief Financial Officer which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to the contractor.

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- On February 14, 2012, the Office of Inspector General held an entrance conference with the National Nuclear Security Administration for the Review of the De-inventory of Special Nuclear Material (SNM) at Lawrence Livermore National Laboratory (LLNL). The objective is to evaluate the de-inventory of SNM at LLNL as well as future planned operations for the Superblock. The review is being conducted by staff from the Livermore Audit and Inspection Groups.

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

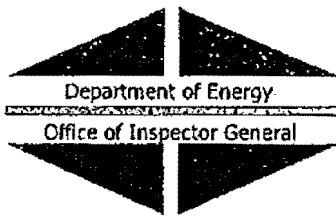
ACTION ITEM REPORTS ATTACHED:

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JOYS, CARES, CONCERNS:

Distribution:

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Counsel to the Inspector General
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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending February 24, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on the "*The Department's Configuration Management of Non-Financial Systems*,"
February 23, 2012, OAS-M-12-02, (A11TG024)

- A key component of helping to ensure an adequate information security posture is the implementation of an effective configuration management program. Configuration management helps to protect the confidentiality, integrity and availability of information technology resources through controls over the processes for initializing, changing and monitoring information systems. Prior Office of Inspector General reports identified systemic issues with the Department of Energy's (Department) cyber security and configuration management programs. For instance, our annual evaluation of *The Department's Unclassified Cyber Security Program* identified weaknesses related to configuration management over financial systems for each of the past six years.
- We initiated this audit to determine whether the Department implemented an effective configuration management process over non-financial systems.
- Although the organizations and sites reviewed had policies and procedures for conducting periodic vulnerability scans of information systems, we found internal vulnerabilities at each location that negatively impacted the security of desktops, non-financial applications, and at two sites, system servers. Additionally, changes to non-financial information systems and applications at six organizations and sites reviewed were not always properly approved, tested or evaluated for security risks prior to their implementation.
- The weaknesses identified occurred because procedures were not adequate for detecting and remediating vulnerabilities in a timely manner. For instance, a policy at one site stated that identified high and medium risk vulnerabilities should be remediated within seven days of identification. However, we noted that many of the weaknesses identified were more than three months old because the site's vulnerability scanning process did not include authenticated scans – a key testing method used to identify weaknesses. The change control weaknesses we identified occurred because procedures were not always adequate for addressing approval, testing or evaluation for security risk prior to implementation. For instance, we noted that while the change control procedures at certain Department organizations addressed the development and execution of testing plans, others did not.
- Without improvements to its vulnerability management program, the Department's desktops, non-financial applications and servers continue to be at risk from internal and external threats. Many of the vulnerabilities we identified created the potential for an attacker to gain unauthorized access to the Department's systems and information. Additionally, failure to properly test changes prior to employing them in business or other support systems could have a significant impact on system security, data reliability and

system operation. Assessing the potential security impact of system changes is essential to maintaining the security posture and minimizing the risk of a security incident adversely affecting the system.

Team Leader: (b)(6)
AIC:
Staff:

Audit Report on *"The Management of Post-Recovery Act Workforce Transition at Office of Environmental Management Sites"*, February 22, 2012 (A11RA024)

- The Department of Energy's (Department) Office of Environmental Management (EM) received \$6 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to promote economic recovery through job creation and retention, while accelerating environmental cleanup activities across EM sites. The Department estimates that with the end of Recovery Act funding and other known budget reductions, as many as 4,450 Recovery Act and base program workers at EM sites will be displaced. At the time of our review, more than 3,600 workers had been displaced.
- We initiated this audit to determine whether the Department had developed and was properly executing an effective plan to transition its environmental remediation contractor workforce to a post-Recovery Act posture.
- Our review at the two EM sites established that the Department and its contractors had developed plans to transition its workforce as Recovery Act funds were exhausted. Our review of Recovery Act hiring practices at the two EM sites disclosed that, to the extent possible, both sites took up front measures to control future separation costs in expectation that the workforce would be reduced at the completion of the Recovery Act projects.
- We found, however, that the transition approach adopted at the Savannah River Site (Savannah River) has resulted in unnecessary payments of nearly \$7.7 million to separated contractor employees. The Savannah River approach, if adopted elsewhere or if considered precedent-setting, could materially impact upcoming restructuring efforts at other Department facilities.
- Inconsistent application of the workforce notification or payments in lieu of notification requirement occurred because sites did not receive formal guidance from Headquarters on implementation. Specifically, an EM official told us that no overarching guidance was provided to sites; instead, site contractors were allowed to decide whether to provide notice or pay in lieu of notice.
- Inconsistencies in the approach used by Hanford and Savannah River to address workforce notice requirements, despite similarities in the number and mission of workers being displaced at the two sites, were not fully justified by management, led to increased transition costs at Savannah River and will likely result in disparate treatment of separating employees.
- We made recommendations to the Secretary, designed to ensure that transition costs are limited to those required and necessary and similarly situated workers are treated with reasonable consistency.

- Management concurred with our recommendations.

Team Leader: (b)(6)

AIC: (b)(6)

Staff: (b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Report on "*The Department of Energy's American Recovery and Reinvestment Act – Washington State Energy Program*" (A11RA031); February 24, 2012

- The Washington State Department of Commerce (WSDC) was granted \$60.9 million in State Energy Program (SEP) American Recovery and Reinvestment Act of 2009 (Recovery Act) grant funds to invest in state-level energy efficiency and renewable energy priorities; a 142-fold increase over its Fiscal Year 2009 SEP grant. This one-time award was to be spent over a 3-year period ending April 30, 2012. WSDC used its grant funds to fund 51 projects in 5 major energy efficiency and renewable energy programs designated by the Washington State Legislature. Specifically, it allocated \$38.5 million for energy efficiency and renewable energy loans and grants; \$14.5 million for residential and commercial energy efficiency upgrades; \$5 million for energy efficiency credit enhancements; \$500,000 for farm energy assessments; \$200,000 for a clean energy initiative; and, about \$2.2 million in administrative costs. As part of the Office of Inspector General's strategy for reviewing the Department of Energy's (Department) implementation of the Recovery Act, we initiated this review to determine whether WSDC's use of Recovery Act funds was in accordance with Federal requirements and the Department's SEP grant.

- WSDC had, for the most part, used SEP grant funds in accordance with Federal requirements and the Department's SEP grant. However, we identified several issues that need to be addressed to ensure that WSDC and its sub-recipients fully comply with requirements and that the goals of the Recovery Act are met. Specifically, our review of 10 of the 51 projects found that sub-grantees for 2 of the 10 projects reviewed did not provide adequate support for invoices totaling \$646,633 in travel expenses, professional services and other expenses; and, sub-grantees inconsistently reported jobs created or retained through the Recovery Act funding. Additionally, we noted that WSDC is at risk of not being able to expend its Recovery Act funding for SEP projects by the April 30, 2012, deadline.

- The issues observed occurred, in part, because WSDC did not ensure that internal control requirements were fully implemented. Notably, after we brought the invoice documentation issue to WSDC's attention, it began taking action to obtain the necessary documentation to support the paid invoices.

- We also found that WSDC sub-grantees were not consistently calculating the full-time equivalent positions created or retained by Recovery Act funding. We also determined that the WSDC may not be able to spend all of its SEP Recovery Act funds by the April 2012, deadline. To address the issues identified in our report, we recommend that the

Acting Assistant Secretary for Energy Efficiency and Renewable Energy: direct WSDC to obtain supporting documentation from sub-grantees to make a determination of allowability of the unsupported costs identified in the report; ensure that WSDC fully implements internal control requirements; ensure that WSDC Recovery Act job reporting is calculated consistently and accurately for sub-grantees; and, continue to closely monitor the progress of WSDC's projects to ensure that Recovery Act goals are met, funds are properly and timely spent and/or funds are returned to the U.S. Treasury through the Department.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Audit Report on "Idaho's Radiological and Environmental Sciences Laboratory," February 26, 2012. (OAS-L-12-02)

- The Department of Energy (Department) owns and operates the Radiological and Environmental Sciences Laboratory (RESL) through the Idaho Operations Office (Idaho). RESL had been located at the Idaho National Laboratory (INL) site since 1949. The Department decided to move RESL to a new facility in Idaho Falls because the deterioration of the existing building was increasingly compromising RESL's ability to support the Department. On April 7, 2011, the Office of Inspector General Hotline received a complaint alleging improprieties with the construction and operation of RESL. The complainant alleged that the construction, relocation and operation of RESL violated a number of Federal policy and procedural requirements. The objective of this audit was to determine whether the relocation and operation of RESL was appropriately managed.
- We did not identify material issues or obtain sufficient evidence to substantiate the allegations concerning RESL's operation and relocation to Idaho Falls. However, we did identify an internal control weakness that the Department should consider relating to accounting for renovation costs.
- The complainant alleged that RESL capital construction was being performed in phases to avoid the Congressional Line Item approval and reporting processes. Based on our review, we were unable to substantiate the complainant's assertion. The complainant alleged that no Mission Need Statement was prepared to document the need for the capability that RESL provided. Contrary to the complainant's assertion, we found that mission need was documented and a privatization study was performed. The complainant indicated that no alternative analyses or life cycle cost estimates were performed to evaluate the feasibility and cost effectiveness of various alternatives to new construction. We did not substantiate the complainant's allegation that alternative analyses were not performed. We found that various alternatives were considered for RESL relocation. The complainant expressed concern that Government-furnished equipment and personnel relocation costs were not properly accounted for. We did not substantiate the complainant's allegation regarding improper accounting for Government-

furnished equipment and personnel relocation costs. Both were treated in accordance with Department accounting policies.

- During our review we noted that the Department may not have appropriately capitalized costs associated with the renovation of the office facility. Project management officials did not provide the data needed by accounting personnel to make an appropriate determination. Rather, the project manager determined whether costs would be capitalized or expensed. The project manager indicated a lack of familiarity with costing rules or the *Department's Accounting Handbook*.
- To address the internal control issue noted within this report, we suggest that the Manager, Idaho Operations Office evaluate activities in the renovation project that could be considered betterments and capitalize those costs; ensure that project managers work with accounting officials when making costing decisions on improvements to facilities to ensure proper categorization; and, ensure that available documentation to support project decisions is retained in the project files.

Team Leader: (b)(6)
AIC:
Staff:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

- A joint entrance conference for the audit of the Department of Energy (Department) Fiscal Year 2012 Consolidated Financial Statements and the evaluation of the Department's Unclassified Cyber Security Program was held on February 22, 2012. Officials from the Office of Inspector General, KPMG, LLC, Office of the Chief Financial Officer, Office of Chief Information Officer, and various field sites were in attendance.

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

Allegation on Organizational Conflict of Interest (S12IS001)

- On February 22, 2012, the inspectors briefed Mr. John Eschenberg, (Acting) Manager of the Oak Ridge Office and Mr. John Shewairy, (Acting) Assistant Manager for Administration and Director, Public Affairs Office, Oak Ridge Office, on our findings

concerning the alleged Executive Salaries process. The objective of the inspection is to determine the facts and circumstances concerning the allegation.

Team Leader: (b)(6)
Project Lead:
Inspector:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

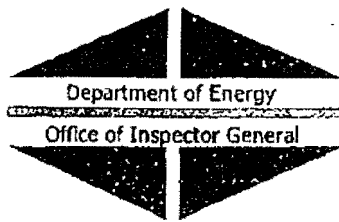
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending March 2, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on "*The Department of Energy's Implementation of Homeland Security Presidential Directive 12*," (DOE/IG-0860, February 28, 2012)

- Homeland Security Presidential Directive 12 (HSPD-12), *Policies for a Common Identification Standard for Federal Employees and Contractors*, was established in August 2004 to enhance national security and mandate the use of a Federal government-wide standard for secure and reliable forms of identification for Federal employees and contractors. The Department of Energy (Department) initiated its HSPD-12 efforts in 2004 and has spent more than \$15 million, most of which was dedicated to issuance and maintenance of badges. However, recent Office of Management and Budget (OMB) guidance directed that Federal agencies should have physical and logical access controls fully installed and that policy be issued by each agency to ensure all new systems under development be enabled to use HSPD-12 credentials. In light of the updated OMB requirements, we initiated this audit to determine whether the Department implemented physical and logical access controls in accordance with HSPD-12.
- We found that, despite 7 years of effort and expenditures of more than \$15 million, the Department had yet to meet all HSPD-12 requirements. In particular, the Department had not fully implemented physical and logical access controls in accordance with HSPD-12. Furthermore, the Department had not issued HSPD-12 credentials to many uncleared contractor personnel at its field sites. Specifically, none of the 5 field sites reviewed had fully implemented physical access controls in accordance with HSPD-12 for the more than 40,000 employees requiring access to those facilities. In addition, the Department had made progress for utilizing the HSPD-12 credential to authenticate user access to information systems; however, additional work was needed. Finally, contrary to the goals and requirements of the directive, four of the five field sites we reviewed did not provide HSPD-12 credentials to contractors that did not hold a security clearance.
- We noted what we considered to be a lack of a coordinated approach among programs and sites related to implementation of HSPD-12 requirements. In particular, we found that guidance provided by management was fragmented and often inadequate to meet the goals of the initiative. In addition, ongoing efforts suffered from a lack of coordination among programs and sites to determine the cost, scope and schedule of work required to implement HSPD-12 requirements. Further, several programs and sites visited had not established budgets in an attempt to obtain funding to support HSPD-12 activities.
- OMB has concluded that the use of HSPD-12 credentials provides more secure access to Federal facilities, enhanced cyber security and reduced overall costs. However, until physical and logical access controls are fully implemented in accordance with HSPD-12, the Department will continue to pay significant maintenance costs for credentials without realizing the full benefits. Management concurred with the report's recommendations and indicated that it had initiated corrective action to address issues identified in our

report. In separate comments, the National Nuclear Security Administration concurred with the report's findings and stated that it will use the findings to improve the management and oversight of its implementation of HSPD-12.

Team Leader: (b)(6)
AIC:
Staff:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on "*Efforts by the Department of Energy to Ensure Energy Efficient Management of its Data Centers*," March 2, 2012, (A11TG023)

- The Department of Energy (Department) houses various types of information technology (IT) equipment in data centers and server rooms to support its missions related to energy and scientific innovation, environmental cleanup and nuclear safety and security. As the Government's reliance on IT equipment has increased, the number of data centers has also grown. In fact, the Administration recently noted that the number of data centers throughout the Federal government increased by over 150 percent in the past decade. As a result, the Federal Data Center Consolidation Initiative was established to require agencies to identify data centers and develop plans to reduce associated cost of operations, enhance IT security and increase the use of more efficient computing platforms and technologies. Based on the significant investment in IT infrastructure, the potential for further savings and the need to improve sustainability, we initiated this audit to determine whether the Department managed its data centers in an energy efficient manner.
- The Department had taken certain actions designed to improve the management of its data centers. Our review, however, identified a number of opportunities to improve the energy efficiency of its IT operations. In particular, we found that the nine locations we reviewed had not always implemented effective practices for space configuration and utilization designed to improve the energy efficiency of data centers. In addition, the Department continued to operate and maintain excess space within its data centers, a practice that led to energy inefficiencies. Specifically, we found that (1) the Department had not always taken advantage of many commonly recommended efficiency measures, many of which could have been implemented at little or no cost; and, (2) the Department continued to operate data centers and server rooms that were not fully utilized, further contributing to inefficiencies.
- The problems we identified occurred, in part, because the Department had not always established specific goals or performance metrics, or otherwise incentivized its organizations and sites to attain the energy efficiency levels outlined in Executive Order 13514 in a timely manner. In addition, data center resources and IT equipment were not

effectively controlled to promote efficiency in energy usage and space utilization. Finally, Department organizations and sites had not effectively coordinated efforts to promote efficiencies through full utilization of data center space.

- Without improvements, the Department will continue to spend more than necessary operating data centers and server rooms. Furthermore, a lack of coordination regarding advances in energy efficiency may hinder the Department's progress in meeting Federal and Department energy reduction goals. Also, inadequate progress relating to data center consolidation resulted in missed opportunities for potential cost savings related to energy usage and maintenance costs.

Team Leader:
AIC:
Staff:

(b)(6)

Draft Report on "Performance Audit of the Department of Energy's Improper Payment Reporting in the Fiscal Year 2011 Agency Financial Report," March 2, 2012. (A11FN009)

- This report presents the results of the independent certified public accountants' work to address the requirements of the Improper Payments Elimination and Recovery Act (IPERA). The audit objective was to determine if the Department of Energy (Department or DOE) met the Office of Management and Budget (OMB) criteria for compliance with IPERA.
- Although the Department met three of the five OMB criteria for compliance with IPERA, KPMG, LLC (KPMG) identified the following noncompliance issues in the Department's development of program-specific risk assessments and publishing improper payment estimates for programs or activities:
 - Inconsistent Site Risk Assessments. DOE did not conduct and document a comprehensive agency-wide program-specific risk assessment to determine the programs areas within the Agency that are susceptible to significant improper payments.
 - Inconsistent Sampling Methodologies. The Department used non-statistical methods to arrive at the estimated improper payment rate published in the Agency Financial report.
 - Inconsistent Use of Improper Payment Definition. Seven of 11 sites tested did not adhere to the Department guidance and applied an inconsistent definition of improper payment (or payments) when reporting their improper payments.
- KPMG also evaluated the agency's efforts to prevent and reduce improper payments. KPMG determined that the following finding, if addressed, could improve the Department's assessment of improper payments:
 - The improper payment reporting guidance provided to the DOE sites did not include the definition of a DOE program or clarification on the use of the individual site sampling results by the agency, resulting in inconsistent and inaccurate data/information for risk assessment and statistical sampling.

- KPMG provided several recommendations for improving the Department's improper payment reporting.

Technical Monitors: (b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

Alleged Conflict of Interest at Sandia National Laboratories, New Mexico (S12IS006)

- An Entrance Conference was held on February 27, 2012, regarding the Alleged Conflict of Interest at Sandia National Laboratories, New Mexico. Sandia National Laboratories, the Sandia Site Office and National Nuclear Security Administration officials via teleconference attended the meeting. The objective of this inspection was to assess the facts and circumstances surrounding an allegation that Sandia National Laboratories may have acted improperly and specifically engaged in a conflict of interest with regard to work performed for the Missile Defense Agency.

Team Leader: (b)(6)

Lead Inspector:

Assist Inspector:

OTHER INSPECTION ACTIVITY:

- February 28-March 1, 2012, Ms. Sandra Bruce, Assistant Inspector General for Inspections, and Mr. Rick Curran, Director Western Region Inspections, visited staff at the Lawrence Livermore National Laboratory (LLNL) offices. Ms. Bruce and Mr. Curran met with Mr. Tom Gioconda, the LLNL Laboratory Deputy Director, and Ms. Kim Davis, the National Nuclear Security Administration Livermore Site Manager. Additionally, Ms. Bruce and Mr. Curran toured the National Ignition Facility and the Center for Accelerator Mass Spectrometry.

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

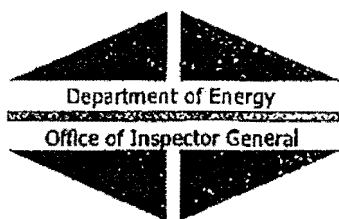
- The Oak Ridge Office of Inspector General had a very successful Combined Federal Campaign (CFC)! The office won awards for Top Key Worker (Wayne Herbert), 2nd place for Top Agencies Percentage Participation and 3rd place for the Top Agencies Per Capita for the Anderson County/Smoky Mountain Campaign. Wayne will represent our office and accept our awards at a special banquet on March 15, 2012. Thanks to Wayne for his great effort in leading our local CFC and congratulations to all of our generous and cheerful givers.
- Rickey Hass, Deputy Inspector General, visited the Oak Ridge office this week. During his visit, Rickey held an all-hands briefing with staff and met with Oak Ridge Office and Oak Ridge National Laboratory officials. Additionally, employees briefed Rickey regarding on-going audits and inspections.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors

Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending March 9, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on Audit Coverage of Cost Allowability for Lawrence Berkeley National Laboratory for the period October 1, 2008 thru September 30, 2010 under Department of Energy Contract No. DE-AC02-05CH11231 (OAS-V-12-04, February, 2012)

- Based on our audit, nothing came to our attention to indicate that the allowable cost related audit work performed by Lawrence Berkeley National Laboratory's (Berkeley) Internal Audit did not meet Institute of Internal Auditors Standards and could not be relied upon. In addition, we found that Berkeley conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. Furthermore, except as noted below, questioned costs and internal control weaknesses identified in other audits and reviews performed by the Office of Inspector General, the University of California and Internal Audit have been resolved.
- While we did not identify any material internal control weaknesses, we are questioning \$120 in costs identified by Berkeley's Internal Audit which have not been adequately resolved. Further, our examination identified an additional \$183 of costs which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to Berkeley. Specifically, we observed that:
 - Internal Audit performed an allowable cost audit for Fiscal Year (FY) 2009. No questioned costs were identified. An allowable cost audit was also conducted for FY 2010. Questioned costs totaling \$392,760 were identified, of which \$120 remained unresolved as of February 2012. Accordingly, we are questioning that amount;
 - Berkeley's Travel Department did not always ensure that travelers were reimbursed according to allowable per diem rates and travel policies. We found four transactions that contained questionable costs for reimbursement of expenses with incorrect per diem and lodging rates, unallowable house hunting expenses and personal travel. These costs have not been resolved; therefore, we are questioning \$183; and,
 - Berkeley did not ensure that all relocation expenses for employees who voluntarily terminated in less than 12 months were returned to the Government as required by Federal Acquisition Regulations. Subsequent to issuance of the draft report, Berkeley provided documentation showing that the relocation costs were reimbursed to the Government in February 2012.
- Berkeley did not always reimburse travelers for travel and relocation expenses according to applicable per diem rates and travel policies. Berkeley has approximately 245 travel arrangers that arrange travel and enter travel vouchers for expense reimbursement into Berkeley's travel expense system. According to Berkeley's Business Services Manager,

Berkeley has 3 travel auditors (processors) who review over 10,000 travel vouchers each year for foreign and domestic travel. Therefore, with the large volume vouchers, Berkeley recognizes that simple errors can occur. Further, we found that although Berkeley had travel policies in place, travel auditors did not always follow the current travel policies as intended.

- Management concurred with all of the recommendations. Specifically, Berkeley's Site Office Contracting Officer will make a determination regarding the allowability of questioned costs in the report and, ensure that Berkeley will: (1) provide sufficient information on travel expense vouchers; (2) consider using risk-based sampling methodology to review travel reimbursements; and, (3) return relocation reimbursements from employees who were paid relocation expenses and resigned within 12 months for reasons within their control to the Government.

Team Leader:

(b)(6)

AIC:

Inspection Report on *"Follow-up Inspection on Security Clearance Terminations and Badge Retrieval at the Lawrence Livermore National Laboratory,"* (INS-L-12-02, March 6, 2012)

- Our January 2006 report on *Security Clearance Terminations and Badge Retrieval at the Lawrence Livermore National Laboratory*, (DOE/IG-0716), and reviews at other Department of Energy (Department) facilities over the past 10 years revealed Department-wide weaknesses regarding the recovery of security badges, following security termination briefing procedures, and the timely termination of security clearances. Given these past concerns, we initiated this inspection to determine if Lawrence Livermore National Laboratory (LLNL) had improved its processes for terminating cleared employees; and, if the National Nuclear Security Administration (NNSA) Personnel Security Division was terminating security clearances in a timely manner.
- LLNL is managed and operated under contract by Lawrence Livermore National Security, LLC, for NNSA. The Livermore Site Office (Livermore) is the NNSA Federal entity responsible for administering the contract. Livermore is contractually obligated to follow the Department's security policies when individuals terminate employment. These policies include: collecting and locally deactivating security badges; providing security briefings and ensuring a Security Termination Statement (STS) is signed; and, sending requests for security clearance terminations to NNSA Personnel Security Division in Albuquerque, New Mexico.
- Our inspection revealed that Livermore and NNSA have generally taken corrective actions in response to our 2006 report with regard to recovery of security badges, conducting security termination briefings and timely termination of security clearances. Specifically:
 - Livermore developed and implemented the Vital Information System Interactive Online Network, improving the employee termination process to include the retrieval of security badges, the security termination briefing procedures and the sending of clearance termination requests through an encrypted email system to NNSA Personnel Security Division;

- Livermore revised and improved its internal procedures for the recovery of security badges;
- NNSA Personnel Security Division improved the timeliness of security clearance terminations in the Department's Central Personnel Clearance Index; and,
- NNSA improved its process for transmitting the STS by developing and implementing an encrypted email system which Livermore is using to transmit its requests for security clearance terminations to NNSA Personnel Security Division.

While Livermore's changes to its badge retrieval procedures have addressed the issues discussed in our 2006 report, we did identify opportunities for further improvements regarding Livermore's security termination briefing procedures and NNSA's full utilization of the encrypted email system.

Project Lead: (b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Audit Report on Southwestern Federal Power System's Fiscal Year 2006, 2007, 2008 and 2009 Financial Statement Audits (OAS-FS-12-06, March 8, 2012)

- This report presents the results of the independent certified public accountants' audit of the Southwestern Federal Power System's (SWFPS) Fiscal Year 2006 through 2009 combined balance sheets and the related combined statements of revenues and expenses, changes in net Federal investment and cash flows.
- KPMG, LLC concluded that the combined financial statements present fairly, in all material respects, the financial position of SWFPS as of September 30, 2009, 2008, 2007 and 2006, and the results of its operations and its cash flow for each of the years then ended, are in conformity with United States generally accepted accounting principles.
- As part of this review, the auditors also considered SWFPS's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations

and contracts that could have a direct and material effect on the combined financial statements. The audit revealed the following significant deficiencies in internal control over financial reporting that, when combined together, were considered to be material weaknesses:

- Four internal control deficiencies were identified over accounting for utility plant, each of which were considered to be significant. When combined together, these four conditions were considered a material weakness.
- Five internal control deficiencies were identified over Accounting Policies and Procedures, each of which were considered to be significant. When combined together, these five conditions were considered a material weakness.

- U.S. Army Corps of Engineers and Southwestern Power Administration management agreed with the findings and recommendations that pertained to them and agreed to take the necessary corrective actions.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

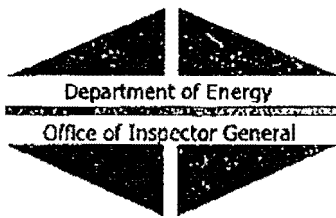
OTHER MATTERS:

- The Pittsburgh Audit Office gave joint presentations with the Office of Investigations to officials at the National Energy Technology Laboratory (NETL) in Pittsburgh, PA and Morgantown, WV on March 6-7, 2012. The presenters from the Office of Inspector General were Veronica Rutt, Heather Baumgartel and Loran DeHonney (Investigations). NETL officials were provided an overview of Investigations and Audits, including the differences in each of these functions and the employee's responsibilities during an audit or investigation.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending March 23, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on Audit Coverage of Cost Allowability for Princeton Plasma Physics Laboratory during Fiscal Years 2009-2010 under Department of Energy Contract Numbers DE-AC02-76CH03073 and DE-AC02-09CH11466, March 14, 2012 (A11CH019)

- Based on our audit, nothing came to our attention to indicate the allowable cost related audit work performed by Princeton Plasma Physics Laboratory (PPPL) Internal Audit did not meet Institute of Internal Auditors Standards and could not be relied upon. We identified no other audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for Fiscal Yearss 2009 and 2010.
- However, while not a material weakness, we found PPPL had not conducted or arranged for required audits of two of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. As required by its contract with the Department of Energy (Department), PPPL's policy was to audit cost reimbursable subcontracts valued at \$1 million or more in total direct and indirect costs, a threshold found in the Federal Acquisition Regulation (FAR). We identified two subcontracts totaling \$3.6 million awaiting closeout that had not been audited.
- Additionally, we found the Department had reimbursed PPPL approximately \$1.04 million for lodging subsidies paid to two employees. Specifically, the Department had reimbursed PPPL approximately \$612,000 for lodging subsidies paid to one employee who had been on extended assignment for a period of about 14 years, and approximately \$428,000 for lodging subsidies paid to another employee for an extended assignment of about 9 years. During the entire duration of these assignments, the employees received the full lodging per diem rate established by the General Services Administration.

■ In addition to the lodging subsidies, these employees had been paid Field Service Premiums of 12 percent of their salaries for the duration of their extended assignments. These premiums currently amount to a total of \$2,703 per month, or \$32,436 per year. Given the extended nature of these assignments, we also questioned the reasonableness of providing such salary premiums. However, to assess the reasonableness of these subsidies, we benchmarked PPPL's policy against Department policies that address extended assignments for other contractor and Department employees.

■ Further, while the employees had signed agreements stating their assignments would be for 1 year and 2 years, respectively, PPPL had extended the agreements annually without documenting the reasons for continuing the assignments or considering alternatives.

Team Leader: (b)(6)
AIC:

Draft Audit Report on *Integrated Safety Management at Sandia National Laboratories*,
March 20, 2012, (A10AL004)

- Safety is one of the Department of Energy's (Department) top priorities. In 1996, the Department established an Integrated Safety Management (ISM) system intended to reduce or prevent occupational injuries, illnesses and accidents by providing safe and healthy workplaces.
- Because of the importance of a safe and healthy workplace, we began our audit with the objective of determining whether Sandia had fully implemented ISM. However, it immediately became apparent that since 1997 and continuing into 2011, the Department had reported numerous deficiencies with Sandia National Laboratories' (Sandia) implementation of ISM at the line management level. Specifically, the Department found that Sandia had not always sufficiently identified, analyzed and documented hazards and controls to ensure that risks to workers were adequately controlled. While Sandia had taken numerous policy level corrective actions over the past 13 years, in 2011, the Department and Sandia identified problems with ISM at the line level similar to those identified in previous years. These included issues such as inadequate hazard analysis and work not being performed within controls. Due to the Department's emphasis on worker safety, we revised our audit objective to determine the reasons that Sandia was not effectively implementing ISM at the line management level.
- Our review disclosed that Sandia had not fully addressed the root causes of weaknesses in its ISM implementation. Specifically, Sandia had not always:
- Performed effective self-assessments to identify ISM weaknesses within its organizations. In fact, we observed that self-assessments performed by line managers often failed to identify ISM weaknesses within their organizations that were subsequently identified by independent evaluations; and,
 - Were held accountable for ensuring implementation of ISM requirements. In particular, Sandia had not always included performance measures for correcting known ISM weaknesses in line managers' performance evaluation plans.

- These problems were due to the Sandia Site Office (Site Office) and Sandia not always providing effective management and oversight of line managers' implementation of ISM. Specifically, neither the Site Office nor Sandia had developed specific performance indicators to rate ISM line level implementation despite evaluation reports that identified ISM weaknesses in that area. Further, Sandia had not always provided effective oversight of line managers' implementation and had not provided adequate self-assessment tools and training to those managers.
- Until Sandia effectively implements ISM requirements by performing effective self-assessments and holding line level managers accountable, workers are at increased risk to suffer from illnesses and injuries that could be avoided. For example, in 2010, several workers were potentially exposed to beryllium at Sandia's Radioactive and Mixed Waste Management Facility. Sandia subsequently chartered an independent investigation of the beryllium event which identified an inadequate "...level of rigor in the execution of work planning and control processes."
- To avoid similar situations and decrease risks to Sandia's workforce, we made several recommendations designed to improve ISM at Sandia.

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

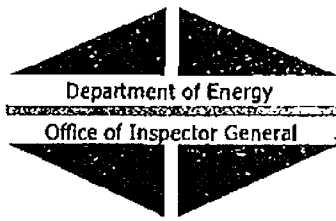
OTHER MATTERS:

- The Western Audits Division's Albuquerque office recently hired two new auditors, Mr. Neil Herman and Ms. Audra Sharifi Isfahani. Mr. Herman received a Master's degree in Accounting from the University of Hawaii and graduated summa cum laude with a 4.0 grade point average. He also has a CPA license and is joining the OIG with financial and compliance audit experience from a public CPA firm. Ms. Sharifi Isfahani received a Master's degree in Accounting from the University of Missouri with a 4.0 grade point average. She holds a Certified Information Systems Auditor (CISA) certificate and has experience as an information security analyst with University of Colorado and has also performed compliance auditing for the Colorado Division of Gaming. Since moving to New Mexico within the past year, both Neil and Audra are learning to appreciate the joys of green chile.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending March 30, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on "*Management of Bonneville Power Administration's Information Technology Program*," March 26, 2012, DOE/IG-0861 (A11TG020)

- The Bonneville Power Administration (Bonneville) provides about 30 percent of wholesale electric power to regional utilities that service homes, hospitals, financial institutions, commercial entities and military installations in the Pacific Northwest. Bonneville makes extensive use of various information systems in its daily operations, including electricity transmission systems, systems that enable the marketing and transferring of electrical power, as well as administrative and financial systems. Should any of these information systems be compromised or otherwise rendered inoperable, the impact on Bonneville's customers could be significant. Prior reviews have identified weaknesses related to Bonneville's information technology (IT) program. For instance, our report on *Cyber Security Risk Management Practices at the Bonneville Power Administration* (DOE/IG-0807, December 2008) identified risk management weaknesses related to Bonneville's Federal requirement to certify and accredit its information systems for operation, a problem that could adversely impact the security of critical systems and the data they contain therein. In this light, we initiated this audit to determine whether Bonneville effectively and efficiently implemented its IT program.
- Bonneville had taken steps to address the cyber security concerns raised in our prior review. However, our current review identified concerns in the areas of cyber security, project management and procurement of IT resources. In particular, Bonneville had not implemented controls designed to address known system vulnerabilities; operational security controls designed to protect Bonneville's systems had not always been fully implemented; several system development efforts suffered from cost, scope and schedule issues, due in part to weaknesses in project planning and management; and, Bonneville's IT software was not always procured in a coordinated manner, resulting in increased security risks.
- The issues identified were due, at least in part, to inadequate implementation of policies and procedures related to security and project management. We also determined that inadequate planning of resource requirements prevented Bonneville from effectively managing its IT program. Furthermore, we found that Bonneville's Office of the Chief Information Officer did not have authority over the entire IT program, including certain cyber security and procurement functions.
- Without improvements, Bonneville's systems and information may be exposed to a higher than necessary level of risk of compromise, loss, modification and nonavailability. In addition, Bonneville may continue to experience problems related to project management and spend more than necessary on IT resources. Management concurred with the report's recommendations and indicated that corrective action would be taken.

Team Leader:

(b)(6)

AIC:
Staff:

(b)(6)

Management Alert on *"Purchase of Computers for the U.S. Department of Agriculture Forest Service at the Savannah River Site,"* (OAS-M-12-03, March 26, 2012)

- In October 2011, the Office of Inspector General received a complaint that the U.S. Department of Agriculture Forest Service - Savannah River (Forest Service) had purchased a number of computers under its Interagency Agreement (Agreement) with the Department of Energy's (Department) Savannah River Operations Office (SRO) that were not placed into use and were being stored in a manner that left them vulnerable to theft or misuse. Under the terms of the Agreement, the Forest Service retains title to property purchased with funds provided by SRO until the Agreement is terminated or expires, at which time the title would transfer to SRO. However, Forest Service procured computers requiring site network access are titled to SRO in order to maintain security control of the items, provide appropriate network capability and support Forest Service activities.
- We confirmed the existence of 17 Hewlett-Packard (HP) desktop computers that had been purchased in September 2010, by the Forest Service with SRO funds, with the intention of connecting the computers to the Savannah River Site (SRS) network. One of the 17 computers had been placed into use, while the other 16 were being stored in an SRS office building. We also substantiated that the computers were not stored in a secure location, making them vulnerable to theft or diversion. Furthermore, we determined that, contrary to property management guidelines, none of the computers had been recorded in a property accountability system.
- Essentially, the computers were set aside until a more cost-effective solution for network connectivity could be arranged. SRO Safeguards and Information Technology (IT) officials who are responsible for managing and overseeing SRS automated data processing and communications, to include identification of capability needs and acquisition of resources, informed us that the Forest Service had not coordinated the planned purchase of the computers with them. We determined that much of the delay in installing the computers appears to have occurred because the Forest Service's computer needs were not effectively communicated and coordinated with the appropriate SRO IT personnel to ensure that a timely, workable solution was arranged.
- Accordingly, we made several recommendations to correct the problems we identified. Management concurred with our recommendations for improving coordination of computer and network connectivity issues between the Forest Service and SRO. Management did not concur with our recommendation to consider modifying the Agreement with the Forest Service to ensure that all sensitive property, purchased with SRO funds, is managed in accordance with Department's implementation of Federal property management requirements, to include prompt inventory upon receipt and proper safeguarding. Rather, management indicated that they consider such items to be Agriculture personal property subject to its own property management controls unless formally transferred to the Department. However, we noted that these computers were purchased using Department funds and are required, under the Agreement, to be returned to the Department when no longer needed, indicating the Department's responsibility to ensure appropriate final disposition of the property. As such, management should

consider whether increasing accountability over these items of sensitive equipment is beneficial and could help reduce the risk of loss/theft.

Team Leader: (b)(6)
AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report on *Department of Energy's Isotope Development and Production for Research and Applications Program's Fiscal Year 2009 Balance Sheet Audit*, (OAS-FS-12-08, March 2012)

- This report presents the results of the independent certified public accountants' audit of the Department of Energy's Isotope Development and Production for Research and Applications Program's (Isotope Program) Fiscal Year 2009 balance sheet.
- KPMG concluded that, except for insufficient evidence to support inventories held for sale and undelivered orders, the latter of which effects the classifications of fund balance with Treasury, the Isotope Program's balance sheet as of September 30, 2009, is presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
- As part of this review, the auditors also considered internal controls over financial reporting and identified the following material weaknesses and significant deficiencies:
 - Material Weaknesses: Controls over Inventory Related Documentation and Improvements Needed in the Preparation and Review of Manual Journal Entries; and,
 - Significant Deficiencies: Unclassified Network and Information Systems Security and Accounting for Property, Plant and Equipment.
- The results of the auditors' tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the

Comptroller General of the U.S., and Office of Management and Budget Bulletin
Number 07-04, *Audit Requirements for Federal Financial Statements*.

Technical Monitors: (b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

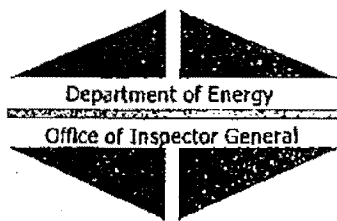
OTHER MATTERS:

JOYS, CARES, CONCERNS:

- On Monday, March 26, 2012, Ted Studerus joined the Western Region Inspections Office in Albuquerque. Ted comes to us from the Defense Contract Audit Agency where he worked for more than four years. Prior to that, he served on the Albuquerque Police Department for 21 years. We welcome Ted to the OIG family.

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending April 13, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on Audit Coverage of Cost Allowability for Los Alamos National Laboratory during Fiscal Years 2008 and 2009 under Department of Energy Contract No. DE-AC52-06NA25396, (April 3, 2012, OAS-V-12-05)

- Since June 2006, Los Alamos National Security, LLC (LANS), has operated the Los Alamos National Laboratory (Los Alamos). Los Alamos is required by its contract to account for costs incurred annually on its Statement of Costs Incurred and Claimed (SCIC), to maintain an internal audit activity, and to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor. During Fiscal Years (FY) 2008 and 2009, Los Alamos' Ethics & Audit Division (Internal Audit) was responsible for internal audits, while its Acquisition Services Management (ASM) Division was responsible for subcontract audits.
- Based on our audit, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit for FYs 2008 and 2009 could not be relied on. We did not identify any material internal control weaknesses with cost allowability audits. However, we are questioning \$1,954,308 of costs identified by Internal Audit that had not been resolved. As of January 2012, the Contracting Officer was working with Los Alamos to resolve the questioned costs.
- Additionally, we found material weaknesses in the FY 2008 and 2009 subcontract audit work performed by ASM, which did not meet relevant auditing standards. We questioned whether ASM's reviews were sufficient to determine the allowability of those incurred costs. Therefore, we considered \$165,092,842 in subcontract costs incurred in FYs 2008 and 2009 that ASM reviewed to be unresolved pending Internal Audit review.
- We also questioned whether Los Alamos' subcontract audit strategy, which was based on a subset of the Defense Contract Audit Agency's (DCAA) requirements, provides sufficient coverage to ensure that only allowable costs are paid with NNSA funds. Under the strategy, which was revised in 2009 and made retroactive to 2006, only 2 of the 975 cost-type subcontracts and none of the 429 time and materials/labor hour subcontracts active during the period required audit.
- In addition, we considered \$271,982,318 in previously reported subcontract costs from 2007 as unresolved pending audit. NNSA's response to our prior report committed to having these costs audited. However, the contractor believed most of the 28 subcontracts did not require audit under the thresholds approved in 2009.
- Finally, we identified concerns with control issues also identified by the NNSA Chief Financial Officer which need to be addressed to ensure that only allowable costs are claimed by, and reimbursed to, the contractor.

- Management agreed with the report's findings and recommendations and reported that Los Alamos has proposed a new subcontract audit strategy which will only be approved by the Contracting Officer if it improves audit coverage. In addition, management undertook to resolve outstanding questioned costs and unaudited subcontract costs, including those previously identified by the OIG as requiring audit from FY 2007.

Team Leader: (b)(6)

AIC:

Staff:

Audit Report on Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site, (April 10, 2012, DOE/IG-0862)

- In 2009, the Savannah River Nuclear Solutions, LLC (SRNS) awarded two noncompetitive contracts for personnel services to two of its three parent companies, Federal Services, Inc. (Fluor) and Newport News Nuclear, Inc. (Newport News). During the period June 2009 through August 2010, SRNS released 126 purchase orders against these contracts valued at approximately \$26 million. Given the significant level of activity in this area, we initiated this audit to determine whether the Department of Energy had ensured that SRNS appropriately applied contracting requirements when noncompetitively acquiring services from affiliates or related parties.
- SRNS had not always met its contractual obligations when acquiring services from its affiliates. Specifically, SRNS had not obtained required Department approval for the two noncompetitive contracts it awarded to Fluor and Newport News during 2009. Also, demonstrated, in most cases, that the affiliates were the only sources capable of providing the expertise necessary to perform the needed services, a pre-requisite for noncompetitive awards to affiliate companies. Further, it performed cost analyses to ensure the reasonableness of the cost of affiliate personnel services, as required.
- The noncompetitive acquisitions occurred and persisted because the Department did not effectively administer the SRNS contract as it pertains to the procurement of affiliate personnel services. Additionally, the Department was not notified of a potential Organizational Conflict of Interest (OCI) because SRNS' General Counsel determined that SRNS did not need to submit a representation regarding such a potential conflict to the Department for these two noncompetitive contracts with parent companies.
- We also noted that SRNS officials directly involved in the overall management and administration of the two affiliate contracts had what we considered to be an apparent conflict of interest in that they were assigned to SRNS but remained employees of the parent companies. The relationship of these SRNS employees to the affiliates, coupled with their responsibilities associated with administering the two affiliate contracts, calls into question SRNS' ability to provide assurance that it was performing objectively and without bias, and, as a result, preventing the affiliates from receiving an unfair competitive advantage. No instance of personal enrichment came to our attention during the course of our review. In our opinion, however, the appointment of affiliate personnel to key management positions, whose roles include administering the two affiliate contracts, creates a potential conflict of interest that had not been evaluated by SRNS, had not been brought to the attention of the Department, and was contrary to the very explicit terms of the master contract.

- In the absence of effective Department oversight of SRNS' acquisition of affiliate personnel services, the Department lacked assurance that due consideration was given to acquiring these services via competitive means, that the services were obtained at fair and reasonable prices, and, as a consequence, the best interests of the U.S. taxpayers were protected. The significance of this is demonstrated by the fact that, at the time of our review, SRNS had released purchase orders against the two noncompetitive contracts with Fluor and Newport News totaling approximately \$26 million and had raised the contractual budget ceilings for these contracts from \$5.5 million to \$55 million.
- During the audit, the Savannah River Operations Office initiated a review to determine the reasonableness of the cost of affiliate personnel services that were acquired. While this action is commendable, we believe that additional action is necessary. As such, and to further address the issues identified in this report, we made a number of recommendations designed to strengthen the Department's oversight of SRNS' acquisitions from affiliates and address deficiencies associated with SRNS' acquisition of affiliate personnel services.
- Management partially concurred with the report's recommendations and cited certain planned, initiated or completed actions. In one important aspect, management did not agree with our conclusions regarding procurements from affiliates and outlined actions that are not completely responsive to our recommendations. Notably, management expressed its opinion that the transactions we reviewed should have been classified as human resource actions that did not amount to procurements. Management, however, acknowledged the risks associated with improper use of affiliate personnel services. We believe that regardless of how the actions are described, there is still a compelling need to ensure that SRNS obtains services from corporate affiliates at fair and reasonable prices.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of New York* (April 6, 2012, OAS-RA-12-07)

- The State of New York's Weatherization Assistance Program is administered by the Division of Housing and Community Renewal (DHCR) through 74 local entities. The State's goal is to weatherize approximately 45,000 units with Recovery Act funding, providing services to qualified elderly households, persons with disabilities and families with children, on a priority basis.
- Given the significant amount of funding involved and the demands associated with weatherizing thousands of homes, we initiated this audit to determine if DHCR and four of its local entities – Action for a Better Community, Inc. (ABC); Association for Energy Affordability, Inc. (AEA); People's Equal Action and Community Effort, Inc. (PEACE); and Saratoga County Economic Opportunity Council, Inc. (SARA) – had adequate safeguards in place to ensure the Weatherization Program was managed efficiently, effectively and in compliance with Federal and State laws and regulations.

■ DHCR had not always managed its Weatherization Program efficiently, effectively and in compliance with laws and regulations. Specifically, we found DHCR had not ensured that:

- Local entities complied with Federal cash management requirements governing requests for reimbursement, deposit of Federal funds in interest bearing accounts and return of interest earned on advances of Federal funds to the Department of Energy. In fact, local entities retained cash well in excess of Weatherization Program needs. Rather than using funds advanced for ongoing needs as required, local agencies inappropriately retained approximately \$49 million of the \$54 million (90 percent) received in advances. Further, only 10 of New York's 74 agencies had deposited funds in interest bearing accounts, as required; and,
- Information was maintained to track and monitor the quality of weatherization services, and where appropriate, take corrective action on system wide deficiencies. In the absence of a system to identify underperforming contractors or weatherization measures that were frequently deficient, New York's ability to take appropriate corrective action to improve services was limited.

■ DHCR provided management responses to our report that generally agreed with our recommendations. Management comments proposed a number of corrective actions, including updating policy and guidance, which we found to be responsive to our recommendations.

■ Comments provided by the Deputy Assistant Secretary for Energy Efficiency and Renewable Energy concurred with our recommendations and stated that they have been working with New York's DHCR to ensure they implement plans that address the recommendations.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *Office of Secure Transportation Capabilities*, April 3, 2012, (A10YT010)

■ The National Nuclear Security Administration's Office of Secure Transportation (OST) is responsible for safely and securely transporting nuclear weapons, weapon components and special nuclear material for customers such as the Department of Energy, Department of Defense and the Nuclear Regulatory Commission. The demand for OST services is expected to increase significantly over the next 7 years as a result of current Presidential initiatives and international nonproliferation efforts. These various initiatives will require OST transportation of both material and weapon components. OST forecasts show an increase in mission demand through 2019. In fact, OST projected that Fiscal Year 2017 mission demand will be 144 percent of FY 2010 levels. Due to the importance of OST's mission to safely and securely transport nuclear weapons, we performed this audit to evaluate the challenges OST faces in meeting its future mission requirements.

- We found that, while OST has successfully met customer shipping requests in the past and expects to have capacity to meet future requirements, it faces several significant challenges. These challenges include maintaining the reliability of existing equipment; ensuring that future Federal agent overtime levels are consistent with safe operations; and, validating essential resource planning data. Specifically: based on its own criteria, OST's entire fleet of armored tractors is beyond its operational life as of December 2011; Federal agents are currently incurring overtime at levels approaching those considered not to be sustainable over the long term; and, information provided by mission forecasts may not be sufficiently reliable to accurately estimate and plan for operational needs.
- OST officials told us that its tractors were not replaced before the end of the useful lives due to competing management priorities and classification issues. To help mitigate the impact of overtime required to conduct mission and training workload while addressing quality of life issues associated with extended periods of time on mission status, OST implemented a predictive schedule. Currently, OST uses the Transportation Resources Integrated Planning Suite (TRIPS) to forecast mission demands and plan for needed resources. However, with the exception of one limited manual validation of mission demands that compared FY 2006 shipping forecasts to actual FY 2006 shipments, OST has not validated the accuracy of its shipping forecasts. Also, we noted that OST had not integrated TRIPS, its mission and forecasting system, with its mission execution system that tracks actual shipments.
- Because of the critical nature of OST's cargo, and its role as the sole provider of this unique capability, any interruption of OST's ability to complete its mission would result in an unacceptable impact on national security. Accordingly, management attention is needed to address these challenges to reduce the risk that OST will be unable to meet its future mission requirements.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Coordination Draft Inspection Report on *Alleged Health and Wellness Benefit Irregularities*, April 13, 2012, (S111S011)

- The Office of Inspector General received an allegation concerning irregularities with health and wellness fringe benefits and alleged retaliatory practices by a National Energy Technology Laboratory security contractor. We initiated an inspection to review the facts and circumstances surrounding this allegation.
- The complainant alleged that the contractor: (1) did not provide employees with an option to receive cash in lieu of fringe benefits; (2) did not provide employees with information concerning employee fringe benefits contributions placed in 401(k) plans, which were established without the employees' consent; and, (3) terminated an employee for complaining about issues related to fringe benefits administration.
- We generally substantiated two of the three allegations and determined that in most instances that the contractor practices were not contrary to contractual and regulatory

requirements. During our inspection we found several contributing factors, such as the contractor initially paid the employees cash for their fringe benefits and continued to pay cash to its employees at two other locations. These factors contributed to the employees' concerns about not receiving cash in lieu of fringe benefit.

- Although we found no evidence that contractors' actions were contrary to Departmental policies and procedures, we suggested that NETL ensure that all corrective actions taken by the contractor to address errors and miscalculations related to the 401(k) program be properly reviewed.

Project Lead:
Team Leader:
Assist:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- A Message Meeting was held on April 11, 2012, concerning an allegation-based inspection of *Conflict of Interest Issues at the Office of Nuclear Energy*. The Office of Inspector General initiated this inspection in response to a complaint alleging that Department of Energy Federal managers within the NE violated Federal ethics and procurement guidelines with regard to their alleged preferential treatment of a contract employee. The objective of this inspection review was to determine the facts and circumstances surrounding the allegation. We determined that the allegation was partially substantiated. Since the NE manager did involve himself in contractor personnel decisions, albeit not to the extent that a violation of Federal regulations or procurement guidelines occurred, and evidence suggests Department manager involvement in contractor employee personnel matters may not be uncommon, the Message Meeting decision was to draft a Letter Report. (S12IS002)

Project Lead:
Team Leader:
Assist:

(b)(6)

- A Message Meeting was held on April 12, 2012, concerning an-allegation of possible over-fill at the Strategic Petroleum Reserve. The objective of the inspection was to determine the facts and circumstances surrounding the allegation. Specifically, it was alleged that filling the SPR to 727 mega million barrels caused an over-fill or a near-term storage capacity issue, because the caverns would not be able to accommodate the required 20-year storage capacity. Based on our field work, we identified one finding and will begin drafting the report in a blue cover format. (S12IS004)

Project Leads:

Team Leaders:

Assist:

(b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- The Western Audits Division, Albuquerque Audit Group held an entrance conference on April 3, 2012, for the Audit of Configuration Management for the National Nuclear Security Administration's Nuclear Weapons Systems. The purpose of the audit is to determine whether NNSA has maintained accurate and complete configuration management information for nuclear weapons systems to support safe, sound, and timely decision-making. Survey work will be conducted at NNSA Headquarters in Washington, DC, the Albuquerque Complex, Sandia National Laboratories, Los Alamos National Laboratory, and other NNSA sites, as necessary.
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NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

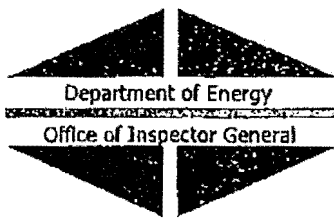
- The Western Audit Division's Y-12 and Oak Ridge National Laboratory Audit Group welcomed a new auditor, Mrs. Kimberly Yerhart. Mrs. Yerhart recently received a degree in Accounting from the University of the Incarnate Word in San Antonio, TX. She served in the U.S. Air Force for 9 years and worked in the insurance industry for the past 12 years. The team is very happy to have her on board.

- The Western Audit Division's Los Alamos Audit Group welcomed a new auditor, Mr. Omar Madrigal. Mr. Madrigal received a degree in Accounting from the University of Phoenix, Albuquerque Campus. Omar is currently working to complete his MBA at Colorado State University and will receive his degree this May. Before joining our office, he worked for the State of New Mexico as a Federal contractor for the Office of Natural Resources Revenue. During his employment with the State, he performed as an auditor and supervisor for the past 4 years. The Los Alamos Audit Group is very pleased to have Omar on board.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending April 20, 2012

FINAL REPORTS ISSUED THIS WEEK:

Special Report on *Questioned, Unresolved, and Potentially Unallowable Costs Incurred by Los Alamos National Laboratory during Fiscal Years 2008 and 2009*, April 19, 2012, (A10A1.013)
OAS-I-12-04

- Since June 2006, Los Alamos National Security, LLC, has operated the Los Alamos National Laboratory. Los Alamos is required by its contract to account for all funds advanced by the Department of Energy, to safeguard assets in its care, and to claim only allowable costs.
- The National Nuclear Security Administration had not resolved about \$2 million in costs questioned by Los Alamos' internal audit function during Fiscal Years 2008 and 2009 (See Attachment 1). The majority of these costs concerned labor charges of \$1.9 million that Los Alamos' Internal Audit found either did not benefit NNSA or did not comply with the contract's allowable cost provisions. For example, the audit identified two employees who charged a combined total of 1,656 hours to the contract between November 2007 and June 2008, while conducting job searches. As of January 2012, the Contracting Officer was working with Los Alamos to resolve the questioned costs.
- Additionally, we identified \$165,092,842 in subcontract costs incurred during FYs 2008 and 2009 that we consider unresolved because the subcontract audit function, performed by Los Alamos' Acquisition Services Management during this period, conducted reviews that did not meet generally accepted Government auditing standards. Therefore, the reviews did not comply with the terms of the prime contract, which requires periodic audits of subcontracts where costs incurred are a factor in determining the amount payable.
- In addition, we considered \$271,982,318 in previously reported subcontract costs from 2007 as unresolved pending audit. NNSA's response to our prior report committed to having these costs audited. However, the contractor believed most of the 28 subcontracts did not require audit under the thresholds approved in 2009.
- We also questioned whether Los Alamos' subcontract audit strategy, which was based on a subset of the Defense Contract Audit Agency's requirements, provides sufficient coverage to ensure that only allowable costs are paid with NNSA funds. Under the strategy, which was revised in 2009 and made retroactive to 2006, only 2 of the 975 cost-type subcontracts and none of the 429 time and materials/labor hour subcontracts active during the period required audit.
- Finally, we identified concerns with control issues also identified by the NNSA Chief Financial Officer which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to the contractor.

- Management agreed with the report's findings and recommendations and reported that Los Alamos has proposed a new subcontract audit strategy which will only be approved by the Contracting Officer if it improves audit coverage. In addition, management undertook to resolve outstanding questioned costs and unaudited subcontract costs, including those previously identified by the Office of Inspector General as requiring audit from FY 2007.

Team Leader: (b)(6)
AIC:
Staff:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *Audit Coverage of Cost Allowability for B&W Technical Services Y-12, LLC under Department of Energy Contract No. DE-AC05-00OR22800 during Fiscal Year 2010*, April 18, 2012 (A11YT022)

■ (b)(5)

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■ (b)(5)

■ (b)(5)

(b)(5)

(b)(5)

Team Leader: (b)(6)
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- On April 16, 2012, the Office of Inspections announced the *Follow-up Inspection on Material Control and Accountability at Los Alamos National Laboratory (S12IS007)*. The objective of the inspection is to determine if Los Alamos National Laboratory implemented the recommendations in the Inspection Report *Material Control and*

Accountability at Los Alamos National Laboratory (DOE/IG-0774, September 2007). Specifically, we will focus on determining whether management took corrective actions concerning policies and procedures for the Material Control and Accountability Program's inventory, transfers, characteristics and locations of accountable materials.

Gary Everall:
Robert Launstein:
Michael Sumbry:

(b)(6)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

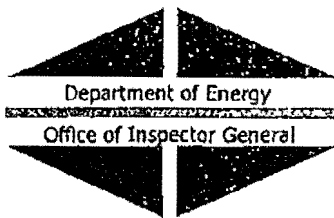
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending April 27, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *The Department of Energy's \$12.2 Billion Waste Treatment and Immobilization Plant – Quality Assurance Issues – Black Cell Vessels*, April 25, 2012 (A11RL011)
DOE/IG-0863

- The Office of Inspector General received allegations concerning aspects of the quality assurance program at the Department of Energy's \$12.2 billion Waste Treatment and Immobilization Plant (WTP) project in Hanford, Washington. The WTP is a key element in the Department's strategy for remediating its significant legacy inventory of high-level nuclear waste. In brief, it was alleged that quality assurance records for "black cell" waste processing vessels were not traceable to work performed. To shield plant workers from intense radiation that will occur during WTP operations, processing vessels will be located in sealed compartments called black cells. Black cells are enclosed rooms where inspection, maintenance, repair or replacement of equipment or components is impracticable because there is no engineered access. Processing vessels in black cells and hard-to-reach areas must last for WTP's 40-year expected design life without in-service inspection and maintenance. In response to the allegations, we initiated an audit to determine whether the Department was meeting quality assurance requirements for the fabrication of vessels located in black cells and hard-to-reach areas of WTP.
- Our review substantiated the allegation. In short, we found that the Department had procured and installed vessels in WTP that did not always meet quality assurance and/or contract requirements. For the vessels that we reviewed, we identified multiple instances where quality assurance records were either missing or were not traceable to the specific area or part of the vessel. We also found that the Department paid the WTP contractor a \$15 million incentive fee for production of a vessel that was later determined to be defective. Although the Department demanded return of the fee, it did not follow up on the matter and the fee was never reimbursed.
- We have made several recommendations designed to strengthen quality assurance controls at WTP. We have also recommended a more intense effort to recover contractor fee for the nonconforming vessel. The Office of Environmental Management concurred with the report's recommendations and its comments were generally responsive to our recommendations. Management officials noted improvements that have been made since the last vessels were delivered and outlined a number of corrective actions that have recently been initiated.

Team Leader: (b)(6)
AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Management Alert on *Extended Assignments at Princeton Plasma Physics Laboratory*, April 16, 2012, (A12CH028)

- In April 2012, we issued a separate contract audit report on *Audit Coverage of Cost Allowability for Princeton Plasma Physics Laboratory during Fiscal Years 2009-2010 under Department of Energy Contract Numbers DE-AC02-76CH03073 and DE-AC02-09CH11466* (OAS-V-12-06, April 2012), we identified specific costs that we considered to be unreasonable and related internal control weaknesses that led to the questionable costs. Specifically, we found that the Department of Energy (Department) reimbursed Princeton Plasma Physics Laboratory (Princeton) \$1.04 million for lodging subsidies incurred by two employees who were on extended assignments – 14 years in one case, and 9 years in the other. In the most recent year, for example, each of these employees received about \$4,000 per month or \$48,000 a year. In addition to the lodging subsidies, the employees were paid what the Laboratory referred to as "field service premiums" of 12 percent of their salaries for the duration of their extended assignments. These premiums currently amount to a total of \$2,700 per month for both employees, or \$32,400 per year.
- The Department did not have specific policies concerning extended assignments that are directly applicable to Princeton. Therefore, to assess the reasonableness of these subsidies, we benchmarked Princeton's policy against Department policies that address extended assignments for other contractor and Department employees. Because of the length of these assignments and the fact that Princeton never updated its 1998 analysis or evaluated other options, such as permanent changes of station for these employees, we questioned the reasonableness of the \$1.04 million in lodging costs and salary premiums.
- We have previously reported on similar concerns with contractor extended assignments. For example, our March 2007 report *The Department of Energy's Management of Contractor Intergovernmental Personnel and Change of Station Assignments* (DOE/IG-0761) found that contractors paid excessive allowances to assigned employees, including the payment of both relocation and travel per diem costs; and, had assigned employees to other organizations for extended periods of time without ensuring their assignments were the most cost effective approach to meeting mission needs. Another report, *Management of Facility Contractors Assigned to the Washington, DC Area* (DOE/IG-0710), found that contractor assignments were routinely extended beyond a year without documentation addressing the need for and duration of assignments and consideration of alternatives to long-term assignments, some of which had been extended to as long as 15 years. In addition to the audit reports based on Office of Inspector General investigations, several contractors and their employees have been prosecuted for improperly claiming per diem and lodging subsidies.
- To address the immediate concerns at Princeton regarding extended assignments, in our contract audit report on audit coverage of cost allowability, we recommended that the Manager, Princeton Site Office:

- Direct the Contracting Officer to make a determination on the allowability of the lodging subsidy costs questioned in the report;
 - Direct the Contracting Officer to calculate the field service premiums paid to the employees over the duration of their extended assignments and make a determination of the allowability of the costs;
 - Perform a cost analysis of Princeton's policy concerning extended assignments to determine whether it is in the best interest of the Department to continue it; and,
 - Require Princeton to thoroughly justify assignment extensions by defining, to the extent possible, the entire period of the assignment and clearly demonstrating consideration of alternatives for meeting that need.
- Management agreed to take appropriate corrective actions regarding the specific extended assignment issues existing at Princeton. While our review efforts have been focused on Princeton and the other Department contract sites identified in this report, the frequency of incidents suggests that the Department should address these matters on a corporate basis. Accordingly, to strengthen controls over contractor extended assignments, we recommended that the Director, Office of Management, develop and issue guidance to assist facility contractors in their development of extended assignment policies.

Team Leader:
AIC:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

Audit Report on the Audit of the Joint Actinide Shock Physics Experimental Research Facility at the Nevada National Security Site, April 23, 2012. OAS-L-12-05 (A11LV010)

- The Joint Actinide Shock Physics Experimental Research (JASPER) facility at the Nevada National Security Site (Nevada Site Office) plays an integral role in the certification of the nation's nuclear weapons stockpile by providing a method to generate and measure data pertaining to the properties of materials at high shock pressures, temperatures, and strain rates through utilization of a two-stage gas gun. In February 2009, JASPER discontinued operations and all JASPER experiments with Special Nuclear Materials ceased when an abnormal amount of contamination was identified as a result of an alpha plutonium experiment.
- Due to the significance of JASPER data to the nuclear weapons complex, we initiated this audit to determine whether the National Nuclear Security Agency was on track to return the JASPER facility to full operational status within cost and scheduled milestones and if the delay impacted NNSA's mission.
- Our review disclosed NNSA restored the JASPER Facility to full operational status within planned cost and schedule and mitigated the adverse impacts of JASPER's shutdown by obtaining meaningful and complimentary data from other experiments to support NNSA's milestones and the stockpile stewardship program. However, we identified several issues that could affect future operation of the facility. Specifically, we identified problems related to the risk of future contamination and re-categorization of

JASPER as a radiological facility rather than its current categorization as a hazard category 3 nuclear facility.

- We found that Lawrence Livermore National Laboratory did not establish a shelf life/expiration date for alpha plutonium target material nor did they have policies and procedures in place to ensure deteriorated plutonium targets were not used in JASPER experiments. Furthermore, no method had been developed for assessing the condition of targets prior to their use in experiments.
- We also noted that in 2011 NNSA rescinded its 2007 decision that the JASPER facility should be categorized as a category 3 nuclear facility. Although this decision did not change JASPER's hazard category 3 nuclear facility designation, it did provide the Nevada Site Office the opportunity to reevaluate the JASPER Facility's categorization and to reduce its operational costs. Furthermore, we found that in November 2011, NNSA issued supplemental guidance to Departmental Standards that could impact JASPER's final facility categorization.
- No formal recommendations were made in this report because Livermore was initiating steps and procedures to address the use of alpha plutonium targets, and the Nevada Site Office was going to review, upon completion, the facility categorization analysis currently being performed to determine whether the status of the JASPER Facility should be modified.

Team Leader:
AIC:
Staff:

(b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

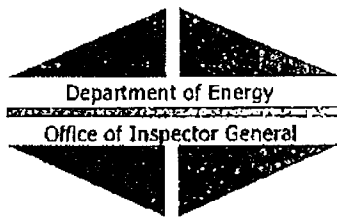
OTHER MATTERS:

- Please welcome Debbie Thomas back to the Office of Inspector General her new capacity as Richland Audit Group Team Leader, as of Monday April 23, 2012. For the past 2 years she has been with Energy Northwest, a commercial nuclear power provider, as Administrative Auditor for the Executive Board, as well as a stint as contracts manager. Prior to that she worked in the OIG for 10 years, where she led numerous successful audits. Ms Thomas is a CPA and CIA, with degrees from the University of Idaho.
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending May 4, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *The Department of Energy's Renewable Energy Efforts* OAS-M-12-04,
April 30, 2012 (A11OR006)

- In an effort to promote generation of renewable energy, the Energy Policy Act of 2005 (EPAcT) requires that by Fiscal Year (FY) 2013 at least 7.5 percent of a Federal agency's annual electricity consumption be from renewable sources. Renewable sources include wind, solar, geothermal, hydropower and various forms of biomass. Agencies can obtain renewable energy by producing it on Federal lands, a method encouraged by EPAcT, or by procuring it from developers or utility companies. Because of the importance of the Department of Energy's (Department) commitment to sustainability, we initiated this audit to determine whether the Department was effectively meeting the EPAcT renewable energy requirements.
- In FY 2010, 3 years before it was required to do so, the Department reported that it had met EPAcT's overall requirement that at least 7.5 percent of its energy consumption be from renewable sources. Specifically, the Department acquired approximately 461,000 megawatt hours from renewable sources, representing over 9 percent of its annual electricity consumption of 4.8 million megawatt hours. Although the Department's progress exceeded EPAcT requirements, our audit identified opportunities for improvement. Specifically:
 - Despite EPAcT's preference for producing renewable energy on Federal lands, the Department relied almost exclusively on purchases of renewable energy. In fact, in FY 2010, on-site renewable energy generation represented less than 1 percent of total electricity consumed Department-wide. The lack of large-scale on-site projects occurred, at least in part, because of the challenges the Department faced in financing renewable energy projects;
 - Sites may not have always purchased renewable energy in the most cost-effective manner. In particular, we noted significant variability in the costs sites paid to purchase renewable energy—ranging from \$0.44 to \$26.67 per megawatt hour. The cost variability we noted was often a result of the sites' lack of awareness about available purchasing options and was not generally based on a detailed cost analysis of options that identified the best value. Additionally, the Department guidance on renewable energy purchases did not provide sites with advice regarding how to evaluate the different purchase options to ensure procurement at the best value; and,
 - The Department had not ensured its sites reported consistent and accurate renewable energy data. For example, some sites inaccurately reported either the megawatt hours or the cost of renewable energy purchased. We noted that the Department's guidance did not provide detailed instructions to site officials concerning data input. However, it is important to note that the Department's achievement of EPAcT's energy usage goals was not affected by the errors.

- Given the importance of clean energy consumption and the Department's leadership role, we recommended that the Assistant Secretary for Energy Efficiency and Renewable Energy ensure that the Director of the Sustainability Performance Office:

1. Work with the Federal Energy Management Program to resolve issues regarding the implementation of Power Purchase Agreements, including potential legislative changes, if necessary, to make them viable;
2. Develop guidance on the different purchasing options available to the Department sites and the factors for best-value purchases; and,
3. Clarify the guidance for the Consolidated Energy Data Reports, including reporting information and cost for purchased renewable energy, to ensure accuracy and consistency.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *The Department of Energy's American Recovery and Reinvestment Act – Tennessee State Energy Program*, OAS-RA-L-12-04, April 30, 2012 (A11RA029)

- The State of Tennessee (Tennessee) received \$62.5 million of Recovery Act SEP grant funds. This was a significant increase from the \$467,000 received prior to the Recovery Act. To implement the SEP grant, Tennessee awarded two contracts to the University of Tennessee (University). The first contract, for \$31 million, was for developing the 5 megawatt West Tennessee Solar Farm (Solar Farm). The second contract, for \$29.3 million, was for establishing the Tennessee Solar Institute (Solar Institute) at the University to spur growth in the State's solar industry by awarding installation and innovation grants to State companies and conducting various training activities. The University in turn awarded the University of Tennessee Research Foundation (Research Foundation), an independent not-for-profit public benefit corporation, two separate contracts to construct the Solar Farm and operate the Solar Institute. Tennessee planned to retain \$2.2 million of SEP grant funding for its oversight activities.
- Overall, Tennessee had developed processes and controls to manage its SEP Recovery Act grant. However, we determined that, contrary to Federal requirements, Tennessee provided funds to the University in excess of what was immediately needed to pay for actual expenses. In December 2011, the University and Research Foundation had about \$18.3 million of unexpended grant funds in their possession. Further, the University and Research Foundation had earned over \$650,000 in interest on these funds and had not remitted any of the interest to the Government. Our review also noted that a substantial amount of funds provided for Solar Institute initiatives had not been spent, calling into question whether the funds can be expended before expiration of the grant. On January 25, 2012, the University remitted 3 separate checks totaling \$652,104.03 to the Department for interest earned by the University and Research Foundation on the unspent funds in the Solar Farm and Solar Institute accounts.

■ In December 2011, the Solar Institute reported awarding 152 solar installation grants to businesses for purchasing small scale solar power systems and 82 solar innovation grants to provide qualified businesses with funds for a range of activities, including facility improvements, work force development, process improvements and technical assistance. Although 105 of 152 installation grants had been completed, only 7 of 82 innovation grants were complete as of December 7, 2011. Overall, about \$12.9 million of the \$29.3 million (44 percent) allocated remained unspent as of December 8, 2011. In January 2012, Tennessee requested that the Department extend the SEP grant through September 2013. The Department approved Tennessee's request in February 2012.

■ We believe that the contracting officer's recovery of interest earned and direction to minimize the amount of time between the transfer of funds and disbursement is reasonable and addresses the issues we identified. However, to help ensure that Recovery Act goals are met, we suggest that the Department closely monitor the progress of Tennessee's grant and ensure that all Recovery Act funds are properly expended or returned to the Department/Treasury, as appropriate.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

Follow-up Inspection on Material Control and Accountability at Los Alamos National Laboratory (S12IS007)

- Entrance Conference was held on May 3, 2012, regarding the *Follow-up Inspection on Material Control and Accountability at Los Alamos National Laboratory*. The objective of the inspection is to determine if Los Alamos National Laboratory (Los Alamos) implemented the recommendations of Inspection Report DOE/IG-0774, *Material Control and Accountability at Los Alamos National Laboratory*, concerning the policies and procedures for the Material Control and Accountability Program's inventory, transfers, characteristics and locations of accountable materials. The video teleconference was supported by personnel at three locations: Albuquerque, National Nuclear Security Administration (NNSA) Headquarters, and Los Alamos. Representatives from NNSA Headquarters, the Los Alamos Site Office, Los Alamos, and the Albuquerque Complex were in attendance.

Team Leader
Project Lead

(b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

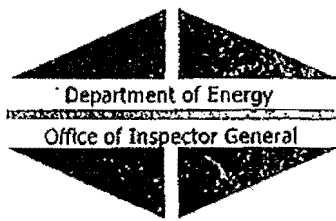
OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections

Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending May 18, 2012

FINAL REPORTS ISSUED THIS WEEK:

Management Alert on *Extended Assignments at Princeton Plasma Physics Laboratory*,
(DOE/IG-0864, May 17, 2012)

- In our recently issued SCIC report (OAS-V-12-06, April 2012), we identified specific costs that we considered to be unreasonable and related internal control weaknesses that led to the questionable costs. Specifically, we found that the Department of Energy (Department) reimbursed the Princeton Plasma Physics Laboratory (Princeton) \$1.04 million for lodging subsidies incurred by two employees who were on extended assignments - 14 years in one case, and 9 years in the other. In the most recent year, for example, each of these employees received about \$4,000 per month or \$48,000 a year. In addition to the lodging subsidies, the employees were paid what the Laboratory referred to as "field service premiums" of 12 percent of their salaries for the duration of their extended assignments. These premiums currently amount to a total of \$2,700 per month for both employees, or \$32,400 per year.
- Subsequent to bring this matter to their attention, Department officials self-reported finding two other Princeton employees on extended assignments. They also notified Princeton that the lodging reimbursements were to be cut-off immediately and that future costs for these assignees would be considered to be unallowable.
- While existing Laboratory policy permitted temporary assignments, the duration of these particular assignments appeared to be excessive and inconsistent with Department policies which we used for benchmarking purposes. Because of the length of these assignments and the fact that Princeton never updated its 1998 analysis or evaluated other options, such as permanent changes of station for these employees, we questioned the reasonableness of the \$1.04 million in lodging costs and salary premiums.
- While our current and past review efforts have focused on Princeton and other Department contract sites, the frequency of incidents and past criminal conduct in this area suggests that the Department should address these matters on a corporate basis. Accordingly, to strengthen controls over contractor extended assignments, we recommended that the Director, Office of Management, develop and issue guidance to assist facility contractors in their development of extended assignment policies.
- Management concurred with our recommendation and stated that they had taken swift action, both with respect to the particular situation at Princeton, and the broader policy posture of the Department. Management stated that, in response to our recommendation, they have developed and issued guidance to address contractor extended assignments that are not covered by other Departmental guidance. Management stated that the guidance sets firm limits on reimbursement and other subsidies for contractor domestic extended personnel assignments. In addition, Princeton has agreed to reimburse the Department \$1.0 million.

Team Leader:
AIC:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- On May 14, 2012, a Western Region (Albuquerque) Inspections Team traveled to Huntsville, Alabama, to meet with officials of the Missile Defense Agency. During the meeting, the Inspection Team received a briefing and discussed the Congressional Inquiry from Congressman Lamar Smith. The Inspection team plans to schedule a message meeting with the Deputy Inspector General for Audits and Inspections and the Assistant Inspector General for Inspections next week to discuss the inspection results. (S12IS006).

Project Lead:
Team Leader:
Team Member:

(b)(6)

Coordination Draft on *Alleged Procurement and Hiring Practice Irregularities within the Office of Policy and International Affairs*, May 18, 2012 (S11IS012)

- The Coordination Draft was sent to the Assistant Secretary for Policy and International Affairs for informal comments. This inspection was an allegation-based inspection that focused on allegations of inappropriate actions taken by senior Office of Policy and

International Affairs (PI) officials concerning the Rodium contract and inappropriate personnel practices related to hiring and promoting Federal employees within PI. The inspection did not reveal any evidence to substantiate the allegations.

Team Leader:
Project Lead:
Team Members:

(b)(6)

Coordination Draft on *Allegations of Organizational Conflicts of Interest at Portsmouth and Oak Ridge*, May 18, 2012 (S11IS001)

- The Coordination Draft was sent to the Director, Office of Procurement and Assistant Management; the Acting Manager, Oak Ridge Office; and, Manager, Portsmouth/Paducah Project Office. Our inspection substantiated the allegations that a potential organizational conflict of interest (OCI) existed between contractors at the Portsmouth Gaseous Diffusion Plant and contractors at the Oak Ridge Reservation. We found that the contractor at Portsmouth had a minority ownership in a subcontractor and was also responsible for reviewing the work produced by that subcontractor. Further, in Oak Ridge, an OCI existed where a key executive of a primary contractor was responsible for reviewing environmental remediation work assigned and prepared by a subcontractor, a company where he was also a key executive.
- Additionally, the contractors involved in the Portsmouth allegation also are in Oak Ridge and have a similar situation causing an OCI. Department management at both sites took corrective actions during the inspection to address the OCI issues identified in this report. However, we made four recommendations to establish and distribute policy along with developing and implementing training on OCI for Department officials.

Team Leader:
Lead Inspector:
Team Members:

(b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- The Richland Audit Group held an Entrance Conference for audit on *Department's Quality Assurance: Design Control for the Waste Treatment Plant at the Hanford Site* on May 16, 2012. The Auditor in Charge is (b)(6) and is working with (b)(6). The objective is to determine if the Department is effectively managing changes made during design and construction of the Waste Treatment and Immobilization Plant. (A12RL034)
-

- On May 18, 2012, the Office of Inspections announced the *Inspection on Deferred Maintenance at Savannah River National Laboratory* (S12IS008). The objective of the inspection is to determine if the Department is effectively managing the facilities and infrastructure maintenance at Savannah River National Laboratory. The focus of this inspection is on real property deferred maintenance, including preventative, predictive, corrective, and any other maintenance/repair activities.

Team Leader: (b)(6)
Project Lead:
Team Members:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

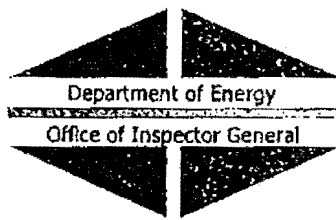
OTHER MATTERS:

- Please welcome Debbie Thomas back to the OIG in her new capacity as Richland Audit Group Team Leader, as of Monday April 23, 2012. For the past two years she has been with Energy Northwest, a commercial nuclear power provider, as Administrative Auditor for the Executive Board, as well as a stint as contracts manager. Prior to that she worked in the Office of Inspector General for 10 years, where she led numerous successful audits. Ms Thomas is a CPA and CIA, with degrees from the University of Idaho.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending May 25, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on The Department of Energy's Clean Cities Alternative Fuel Vehicle Grant Program Funded under the American Recovery and Reinvestment Act, (OAS-RA-12-12, May, 2012)

- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Clean Cities Alternative Fuel Vehicle Grant Program (Clean Cities Program) received nearly \$300 million, or 30 times its Fiscal Year 2009 funding of approximately \$10 million. From this amount, the Department awarded grants ranging from \$5 million to \$15 million to 25 recipients, including Clean Cities coalitions and other entities that partnered with coalitions. Clean Cities coalitions are volunteer groups that join with public and private sector organizations to promote alternative and renewable fuels, fuel economy measures and new technologies. Grant funding may be used for the construction or upgrade of alternative-fueling sites and the purchase of commercial vehicles capable of using alternative fuels, including garbage and transport trucks, buses and taxis. The Department required each grant recipient to comply with Federal regulations governing financial assistance awards and to provide at least 50 percent of a project's funding (cost-share). As of March 2012, grantees had expended about \$170 million of their Recovery Act funding.
- Our review disclosed that the Department had followed established procedures for the solicitation, merit review and selection of the Clean Cities projects. However, the Department had not always effectively managed the use of Recovery Act funding and other post-award aspects of the Clean Cities Program. In our review of seven recipients, we found that the Department had inappropriately:
 - Reimbursed a recipient about \$1.5 million for costs incurred even though the costs were not substantiated. Similarly, the Department approved \$615,000 in unsubstantiated cost-share contributions. The lack of substantiation raises transparency issues and increases the risk that the Department will pay more than its agreed upon share of project costs. Ultimately, based in part on the results of our review, the Department reduced total project costs by approximately \$2 million;
 - Paid one recipient \$250,000 for a down payment on an alternative-fueling station that had been invoiced 3 months prior to the grant's authorized spending date of July 2009. After we pointed this issue out, the Department immediately recovered the \$250,000;
 - Approved a claim for \$164,000 in cost-share contributions even though the recipient lacked documentation supporting the reasonableness of costs. Accordingly, we questioned the \$164,000 in unsupported cost-share contributions; and,

- Allowed three recipients to award almost \$20 million without documenting their decisions to award contracts and/or identifying potential conflicts of interest as required by Federal procurement regulations. Consequently, the Department lacked assurance that goods and services were procured from the most qualified sources at the best price available. Therefore, we questioned nearly \$3.3 million spent on the projects to date and almost \$1.4 million in cost-share commitments.
- Inadequate policies and procedures, and ineffective oversight contributed to the grant administration issues we identified. The Department relied, in large measure, on Clean Cities grant recipients to disclose conflicts of interest and to ensure costs incurred were reasonable without adequately monitoring the grant recipients.
- Management disagreed with many of our findings and recommendations. Specifically, management did not agree with our conclusions regarding policies and procedures governing procurements and potential conflicts of interest, nor did it agree with all of the questioned costs identified. We do not believe management's response fully and satisfactorily addresses our audit findings and recommendations. Specifically, contrary to management's assertions that it had adequate policies and procedures, we noted the Clean Cities Program did not have formal procedures requiring officials to review available information submitted by recipients regarding potential conflicts of interest and to enforce requirements pertaining to the documentation of procurement decisions.
- Overall, we recognize the risks inherent in the administration of complex, multi-million dollar grants, such as those awarded under the Clean Cities Program. The importance of the Department's oversight activities in these circumstances, therefore, cannot be overstated.

Team Leader: (b)(6)
 AIC: (b)(6)
 Staff: (b)(6)

Inspection Report on *Alleged Health and Wellness Benefit Irregularities by a Department Contractor*, (INS-L-12-03, May 2012)

- The Office of Inspector General (OIG) received allegations concerning irregularities with health and wellness fringe benefits and retaliatory practices by Ahtna Facilities Services Inc. (Ahtna), a National Energy Technologies Laboratory contractor. Specifically, it was alleged that Ahtna: (1) did not provide a specific group of employees at the Albany, Oregon site an option to receive cash in lieu of fringe benefits; (2) established individual 401(k) accounts without the employee's consent and withheld information concerning employee fringe benefits contributions of approximately \$10,000; and, (3) terminated an Ahtna employee for complaining about issues related to fringe benefits administration.
- We substantiated the allegations that Ahtna did not provide a specific group of employees at the Albany site an option to receive cash in lieu of fringe benefits. We found that Ahtna opted to use the funds to pay individual employee's fringe benefits and the residual amounts, if any, were placed in the employee's individual 401(k) accounts. Our review of Federal guidance and the Department's contract with Ahtna,

revealed that it is at the employer's discretion as to how fringe benefits funds are distributed to employees.

- We also substantiated the allegation that Ahtna had established individual 401(k) accounts without the employee's consent. Upon assessing the Service Contract Administration Fringe Administration document, we were unable to find language in the document requiring an employee's signature to establish a 401(k) plan.
- Furthermore, we substantiated the allegation that Ahtna withheld information concerning employee fringe benefits contributions of approximately \$10,000. We noted that certain employees at the Albany site began contributions to the 401(k) plans as early as February 2011; however, quarterly fringe benefits statements were not provided to the employees until September 2011. We determined that the delay in providing the quarterly statements was due, in part, to a delay by the employees at the Albany site in submitting the required paperwork to elect benefits, and an oversight by Ahtna Corporate Benefits personnel who failed to enroll employees at the Albany site in the corporate benefits plan.
- Regarding the third allegation, the OIG's Hotline referred the employee to the Department's local Employee Concerns Program. Based on the results of our review, no recommendations were made.

Lead Inspector:
Assist:
Team Leader:

(b)(6)

Audit Report on *Efforts by the Department of Energy to Ensure Energy-Efficient Management of its Data Centers*, (DOE/IG-0865, May, 2012)

- Prior reviews by the Office of Inspector General identified areas where the Department of Energy (Department) could improve the management of its information technology (IT) resources. For example, our audit report on *Management of the Department's Data Centers at Contractor Sites* (DOE/IG-0803, October 2008) found that the Department could save \$2.3 million per year through the use of more efficient hardware technologies such as virtualization, which would allow for increased energy efficiency through the consolidation of servers. Based on the significant investment in IT infrastructure, the potential for further savings and the need to improve sustainability, we initiated this audit to determine whether the Department managed its data centers in an energy-efficient manner.
- The Department had taken certain actions designed to improve the management of its data centers. Our review, however, identified a number of opportunities to improve the energy efficiency of its IT operations. In particular, we found that the nine locations we reviewed had not always implemented effective practices for space configuration and utilization designed to improve the energy efficiency of data centers. In addition, the Department continued to operate and maintain excess space within its data centers, a practice that led to energy inefficiencies. We found as well that the Department continued to lack visibility over the number data centers its funds. Although certain efforts had been completed or were in the planning stage, the Department had not fully developed and implemented plans to identify all data centers and server rooms, and, most importantly, consolidate them as appropriate to increase efficiencies and minimize duplicative operating costs.

- The problems we identified occurred, in part, because the Department had not always established specific goals or performance metrics, or otherwise incentivized its organizations and sites to attain the energy-efficiency levels outlined in Executive Order 13514 in a timely manner. In addition, data center resources and IT equipment were not effectively controlled to promote efficiency in energy usage and space utilization. Finally, Department organizations and sites had not effectively coordinated efforts to promote efficiencies through full utilization of data center space.
- Without improvements, the Department will continue to spend more than necessary operating data centers and server rooms. Furthermore, a lack of coordination regarding advances in energy efficiency may hinder the Department's progress in meeting Federal and Department energy reduction goals. Also, inadequate progress relating to data center consolidation resulted in missed opportunities for potential cost savings related to energy usage and maintenance costs.
- Management concurred with the report's recommendations and indicated that it had initiated actions to address issues identified during our review.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

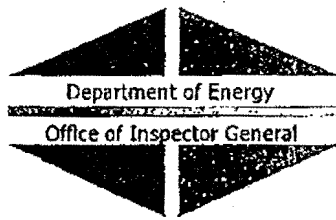
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending June 15, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *Integrated Safety Management at Sandia National Laboratories*,
(DOE/IG-0866, May 31, 2012)

- Historically, safety is one of the Department of Energy's (Department) top priorities. In 1996, the Department established an Integrated Safety Management (ISM) system intended to reduce or prevent occupational injuries, illnesses and accidents by providing safe and healthy workplaces.
- Because of the importance of a safe and healthy workplace, we began our audit with the objective of determining whether Sandia National Laboratories (Sandia) had fully implemented ISM. However, it immediately became apparent that since 1997 and continuing into 2011, the Department had self-reported numerous deficiencies with Sandia's ISM implementation and execution; and, that these problems often occurred at the line manager level in the contractor's chain of command. Specifically, the Department found that Sandia had not always identified, analyzed and documented hazards and controls necessary to ensure that risks to workers were adequately managed. Since 1997, Sandia had taken numerous policy level ISM corrective actions. Yet, in 2011, the Department and Sandia identified problems with ISM at the line level similar to those identified in previous years. These included issues such as inadequate hazard analysis and work being performed outside existing safety controls. Due to the Department's emphasis on worker safety, including steps taken by the current senior leadership, we revised our audit objective to determine the underlying reasons for continued concerns with Sandia's ISM system.
- We found that Sandia had not fully addressed the root causes of weaknesses in its ISM implementation. Specifically, Sandia had not always ensured that line managers:
 - Performed effective self-assessments to identify ISM weaknesses within its organizations. In fact, we observed that self-assessments performed by line managers often failed to identify ISM weaknesses that were subsequently identified by independent evaluations; and,
 - Were held accountable for ensuring implementation of ISM requirements. In particular, Sandia had not always included performance measures for correcting known ISM weaknesses in line managers' performance evaluation plans.
- As to the underlying cause, we noted that Sandia had not always providing effective management and oversight of line managers' implementation of ISM. Sandia had not developed specific performance indicators to rate ISM line level implementation despite evaluation reports that identified ISM weaknesses in that area. Further, Sandia had not always provided the line managers with adequate self-assessment tools and training.

Finally, the Department's Sandia Site Office, the entity charged with day-to-day management of the contract, had not established performance goals sufficient to monitor and/or evaluate Sandia's progress in implementing needed ISM corrective measures.

- Improving Sandia's ISM system, including performing effective self-assessments and holding line level managers accountable for safety performance, should help reduce employee exposure to workplace injuries and illness. This is not a theoretical concern. In 2010, several workers were potentially exposed to beryllium at Sandia's Radioactive and Mixed Waste Management Facility. Sandia subsequently chartered an independent investigation of the beryllium event which identified an inadequate "...level of rigor in the execution of work planning and control processes," an integral ISM component.
- To avoid similar situations, we made several recommendations designed to improve ISM at Sandia.
- Management generally agreed with the report's findings and recommendations and indicated that it will use them to drive continued improvement of NNSA's implementation of ISM.

Team Leader:
AIC:
Staff:

(b)(6)

Audit Report on Audit Coverage of Cost Allowability for B&W Technical Services Y-12, LLC under Department of Energy Contract no. DE-AC05-00OR22800 during Fiscal Year 2010, (OAS-V-12-07, May 30, 2012)

- Based on our audit, nothing came to our attention to indicate that the allowable cost related audit work performed by B&W Technical Services Y-12, LLC's (B&W Y-12) Internal Audit did not meet Institute of Internal Auditors Standards and could not be relied on. B&W Y-12's Internal Audit identified \$921 in questioned costs as part of its allowable cost audit which have since been resolved and reimbursed to the Department of Energy.
- While we did not identify any material internal control weaknesses, we are questioning approximately \$7,142,541 in costs identified during prior audits which have not been adequately resolved. During Fiscal Year 2010, the Defense Contract Audit Agency issued an audit report that questioned subcontract costs. According to B&W Y-12 management, the final amount applicable to B&W Y-12 is expected to be less than the total amount questioned and cannot be resolved until pending litigation is completed. However, until a determination is made about the amount of questioned overhead costs applicable to B&W Y-12 is made, we are questioning \$7,142,541.
- In addition, we noted concerns regarding unaudited subcontract costs totaling \$86,353,616 which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to B&W Y-12. B&W Y-12 did not always conduct or arrange for audits of its subcontractors when costs incurred were a factor in determining the amount payable to subcontractors. In response to subcontract audit concerns, the Y-12 Site Office (YSO) plans to reassess the subcontract auditing process in coordination with B&W Y-12. Until appropriate action is taken, we consider these costs totaling \$86,353,616 as unresolved pending audit.

■ We recommend that the Manager, Y-12 Site Office, direct the Contracting Officer to:

1. Make a determination regarding the allowability of the questioned costs identified in this review, following the conclusion of the litigation proceedings, and recover those amounts determined to be unallowable; and,
2. Ensure that the B&W Y-12 subcontract auditing assessment is completed and that subcontract audits are performed when necessary.

■ National Nuclear Security Administration management concurred with the report's recommendations and proposed corrective actions. Specifically, B&W Y-12 will track actions associated with the litigation proceedings and assist the YSO Contracting Officer, as requested, to facilitate a determination of cost allowability. B&W Y-12's Ethics & Internal Audit will either conduct subcontract audits as necessary and appropriate, given audit cognizance and available resources, or request approval through the YSO that such audits be performed.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- On Thursday, May 24, 2012, the Eastern Audits Division, Savannah River Audit Group, held an entrance conference for the audit of *The Management of Tritium within the Department of Energy*. The Office of Inspector General staff attending the entrance conference included (b)(6). Also in attendance were National Nuclear Security Administration (NNSA) officials and contractor personnel from NNSA Headquarters and Albuquerque. The purpose of the audit is to determine whether the Department of Energy is effectively managing tritium supplies to meet nuclear weapons needs. Survey work will be conducted at NNSA Headquarters in Washington, DC, the Savannah River Site, and other NNSA sites, as necessary.
-

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

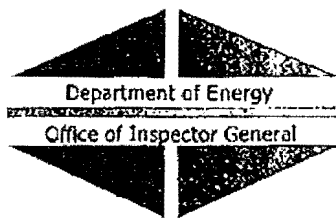
On Monday, June 4, 2012, Margaret Wright joined the Office of Planning, Administration and Quality Assurance as the Writer/Editor. Margaret comes to us from the Department of Homeland Security, Federal Protective Service where she worked for two years. Prior to that, she worked as a contractor with the U.S. Investigations Services. Please welcome Margaret to the Office of Inspector General family.

JOYS, CARES, CONCERNS:

- Congratulations to Dea Lynch of the Technology Audit Group (Pittsburgh) and her husband (b)(6) on the birth of their (b)(6). (b)(6) Mommy and baby are doing well.
-

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending June 22, 2012

FINAL REPORTS ISSUED THIS WEEK:

Final Report on *The National Nuclear Security Administration Contractors' Disability Compensation and Return-to-Work Programs* (DOE/IG-0867, June 18, 2012)

- The Department of Energy's National Nuclear Security Administration is responsible for the Nation's nuclear weapons programs. NNSA relies on contractors to manage and operate the seven sites that form its nuclear security enterprise, including three national laboratories. Under state workers' compensation laws, these contractors provide a wide range of benefits to employees, including those experiencing occupational disabilities. An occupational disability occurs when a job-related injury or illness renders an employee unable to perform a job. The contractors also have other disability plans, such as sick leave or salary continuation programs, that provide benefits for non-occupational disabilities and generally supplement workers' compensation.
- Studies have shown that employers can significantly reduce costs by actively managing worker disability programs and by implementing effective return-to-work efforts. Because of the significant costs involved and the potential for savings, we initiated this audit to determine whether NNSA had ensured that contractor disability programs were managed effectively.
- NNSA had not ensured that its contractors managed their disability programs effectively, efficiently and in the Department's best interest. In performing work at the Lawrence Livermore National Laboratory, Los Alamos National Laboratory, Sandia National Laboratories, and Y-12 National Security Complex, we determined that:
 - Livermore, Sandia and Y-12 had policies which effectively disincentivized employee return to work by supplementing workers' compensation with payments that gave the employees more net income when they were on disability than when they were working;
 - Livermore obtained "guaranteed cost" workers' compensation insurance with no deductible even though such insurance is likely to be one of the most costly plans available;
 - In purchasing its guaranteed cost workers' compensation insurance, Livermore incurred and charged NNSA \$1.26 million in insurance broker compensation for FYs 2008 through 2011; and,
 - Livermore, Los Alamos and Y-12 did not always implement best practices for managing disabilities covered by their paid sick leave programs.
- Livermore and Los Alamos had not implemented some other best practices that have been proven to reduce workers' compensation costs. Livermore, for example, did not use an approved medical provider network to treat employees injured on the job, as allowed

under California regulations, even though an industry study established that such a practice could reduce workers' compensation costs and improve medical treatment. Further, with regard to adoption of industry best practices, Los Alamos continued to make workers' compensation payments for some union employees who had been medically released for modified duty rather than offering work outside the employees' normal duties.

- Finally, NNSA did not implement cost savings opportunities that according to an outside consultant could have saved between \$1.2 million and \$2.2 million annually. NNSA hired a consultant to identify actions that contractors could take to improve the efficiency and effectiveness of its contractor employee benefits programs. The consultant issued a report in 2009, and suggested a number of actions that NNSA could implement to improve oversight, and reduce administrative and claims costs. The consultant, for example, suggested that self-insured NNSA contractors could consolidate, or share, their claims administrators where feasible to eliminate duplicate costs. However, such a consolidation was never pursued.
- These issues occurred because NNSA, NNSA site offices, and contractor officials did not exercise adequate oversight of, or provide resources necessary to improve, contractor disability plans. For example, NNSA officials told us that they did not implement cost savings opportunities that their consultant identified regarding workers' compensation because of limited resources and their focus on other benefit areas, such as health plans. Finally, contractor officials at Livermore, Sandia, and Y-12 were not aware that their workers' compensation and supplemental payments practices were inconsistent with terms in their contracts with NNSA.
- By increasing its oversight of contractor disability programs and implementing its consultant's recommendations, NNSA could save more than \$3.3 million annually. We also questioned \$1.26 million in broker compensation costs that Livermore incurred because the Livermore Site Office Contracting Officer had expressly prohibited broker fees.
- We found that each of the contractors had certain meritorious policies and procedures that we believe helped to keep their workers' compensation disability costs in check. Finally, all the contractors expressed a willingness to evaluate their programs in light of our findings and recommendations. Despite these actions, additional effort is necessary to ensure that disability compensation and return-to-work programs are as effective and efficient as possible. We made several recommendations designed to help NNSA in this regard. Management agreed with the findings and recommendations in the report. Management indicated that site office officials had discussed the issues with the contractors and planned actions to address each of the recommendations.

Team Leader:
AIC:
Staff:

(b)(6)

Inspection Report on Alleged Procurement and Hiring Practice Irregularities within the Office of Policy and International Affairs, (INS-L-12-04, June 2012)

- The Office of Inspector General received a complaint alleging inappropriate actions taken by senior Office of Policy and International Affairs (PI) officials concerning a sole-

source contract to Rhodium Group LLC (Rhodium) and inappropriate personnel practices related to hiring and promoting Federal employees within PI.

- Specifically, it was alleged that senior PI officials: (1) improperly awarded a sole-source contract to Rhodium based on a PI official's personal affiliation with a Rhodium official; (2) converted a former Rhodium employee to a Federal employee based on a PI official's prior affiliation with the employee; (3) directed PI rating officials to lower staff ratings to facilitate a reduction-in-force (RIF) and subsequently hire additional personnel; and, (4) misused their official position to assist a PI employee, with whom the official has a covered relationship, with obtaining promotions. We initiated an inspection to review the facts and circumstances surrounding the allegations.

- We were unable to substantiate the allegations. Specifically, we determined that: (1) the requirements in the Federal Acquisition Regulations to award a sole-source contract to Rhodium were followed; (2) there was no prior affiliation between the senior PI official and the former Rhodium employee, that was hired; (3) there was no evidence to support claims that PI rating officials were directed to provide lower staff performance ratings to facilitate a RIF. Our review found that PI had explored opportunities such as hiring freezes and reallocating funds to ensure that a RIF was not necessary. Additionally, interviewed PI rating and reviewing officials stated that they were not directed to lower staff ratings to facilitate a RIF; and, (4) a senior PI official did not misuse their position to assist a PI employee, with whom the official has a covered relationship, with obtaining promotions. Specifically we reviewed the individual's promotion documentation and found no improprieties. Further, our review determined that the covered employee was on the "best qualified list" and, in some instances, was the only individual who applied for the various positions representing promotions.

Project Lead: (b)(6)

Acting Team Leader: (b)(6)

Assist: (b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *Opportunities for Energy Savings at Department of Energy Facilities* (A11HQ003)

- The Department of Energy plays a critical role in promoting energy efficiency nationwide, especially in Federal buildings. The Department's Federal Energy Management Program and Sustainability Performance Office provide leadership for the implementation of key energy initiatives, including the Energy Independence and Security Act of 2007 (EISA 2007) and the Energy Policy Act of 2005 (EPAct 2005). These broad policy initiatives contain significant provisions on reducing energy consumption in the Federal sector.
- EISA 2007, for example, requires evaluations of "covered facilities," those designated by each agency that, in aggregate, account for at least 75 percent of total facility energy use at the site or location, every 4 years. Facility evaluations include assessments of existing buildings to determine whether systems are operating as intended. Such

assessments often identify low and no-cost opportunities for energy savings by ensuring that mechanical, heating and lighting systems perform optimally and thereby reduce energy consumption.

- EPA Act 2005 requires all Federal buildings to have electricity metering in place, where cost-effective, by October 2012. Metering provides information that can be analyzed and used often in different low-cost ways, including optimizing equipment performance and allocating utility costs on an "actual use" basis to incentivize energy conservation.
- Because of the importance of reducing energy consumption and the limited resources available for capital-intensive reduction efforts, we initiated this audit to determine whether the Department had effectively identified and implemented energy-saving opportunities through facility evaluations and electricity metering.
- We found that the Department had not always effectively identified and implemented energy-saving opportunities through facility evaluations and electricity metering. Specifically:

- Three of the five sites we reviewed (Brookhaven National Laboratory, Oak Ridge National Laboratory (ORNL) and Los Alamos National Laboratory (Los Alamos)) had not always identified or implemented low and no-cost, quick payback energy conservation measures discovered during facility evaluations. For example, ORNL's 2009 facility evaluation identified conservation measures that could result in a payback within 2 months and estimated annual savings of about \$77,000 for projects including utilizing variable speed drives on supply and exhaust air fans, installing temperature redistribution fans and repairing a steam trap. These measures, however, had not been implemented review;
- Two of the five sites (ORNL and Y-12 National Security Complex) had not fully evaluated existing buildings to determine, among other things, whether building systems such as heating and lighting were operating as intended, despite specifically identified savings and recommendations to do so. For example, ORNL had not fully implemented recommendations to optimize systems in 10 of 19 buildings (about 53 percent) assessed by a third-party evaluator during 2009; and,

- (b)(5)

- Effectively evaluating systems in existing buildings and using electricity metering data could significantly reduce energy costs and increase energy efficiency across the Department. We conservatively estimate the Department could save approximately \$6.6 million annually.

Team Leader: (b)(6)
AIC:
Staff:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Draft Report on Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC under Department of Energy Contract No. DE-AC07-05ID14517 during Fiscal Year 2010 (A12ID005, June 2012)

(b)(5)

(b)(5)

(b)(5)

(b)(5)

(b)(5)

(b)(5)

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report on *Management Letter on the Department of Energy's Isotope Development and Production for Research and Applications Program's Fiscal Year 2009 Balance Sheet Audit*, (OAS-PS-12-09, June, 2012)

- The management letter contained three new findings and seven recommendations that were issued during the course of the Department of Energy's Isotope Development and Production for Research and Applications Program's Fiscal Year 2009 Balance Sheet Audit. Management generally concurred with and provided planned corrective actions for most of the recommendations listed in the management letter.
- Under separate cover, the following material weaknesses and significant deficiencies in internal controls over financial reporting were identified:
 - Material Weaknesses: Controls over Inventory Related Documentation and Improvements Needed in the Preparation and Review of Manual Journal Entries; and,
 - Significant Deficiencies: Unclassified Network and Information Systems Security and Accounting for Property, Plant and Equipment.

Technical Monitors: (b)(6)

OTHER AUDITS:

Chris Training Requests – For the interim, please list the following as Step 2/Approver 2: George Collard (for Audits) and Sandra Bruce (for Inspections).

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

Inspection on *Deferred Maintenance at Savannah River National Laboratory* (S12IS008)

- An entrance conference was held on Monday, June 11, 2012 regarding the Inspection on *Deferred Maintenance at Savannah River National Laboratory (SRNL)*. The objective of the inspection is to determine whether the Department of Energy is effectively managing the facilities and infrastructure maintenance at SRNL. The entrance conference was held at Savannah River Site (SRS) Operations Office. Department officials from Headquarters, SRS and SRNL, as well as contractor personnel attended the entrance conference. Preliminary fieldwork was conducted at SRS and will continue at Headquarters in Washington, DC.

Project Lead: (b)(6)
Acting Team Leader: (b)(6)
Team Member: (b)(6)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

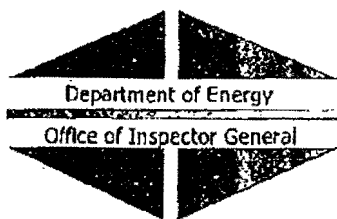
OTHER MATTERS:

JOYS, CARES, CONCERNS:

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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending June 29, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *Office of Secure Transportation Capabilities* (OAS-M-12-05, June 2012)

- The National Nuclear Security Administration's Office of Secure Transportation (OST) is responsible for safely and securely transporting nuclear weapons, weapon components and special nuclear material for customers such as the Department of Energy, Department of Defense and the Nuclear Regulatory Commission. The demand for OST services is expected to increase significantly over the next 7 years as a result of current Presidential initiatives and international nonproliferation efforts. These various initiatives will require OST transportation of both material and weapon components. OST forecasts show an increase in mission demand through 2019. In fact, OST projected that Fiscal Year 2017 mission demand will be 144 percent of FY 2010 levels. Due to the importance of OST's mission to safely and securely transport nuclear weapons, we performed this audit to evaluate the challenges OST faces in meeting future mission requirements.
- We found that, while OST has successfully met customer shipping requests in the past and expects to have capacity to meet future requirements, it faces several significant challenges. These challenges include maintaining the reliability of existing equipment; ensuring that future Federal agent overtime levels are consistent with safe operations; and, validating essential resource planning data. Specifically: based on its own criteria, OST's entire fleet of armored tractors is beyond its operational life as of December 2011; Federal agents are currently incurring overtime at levels approaching those considered not to be sustainable over the long term; and, information provided by mission forecasts may not be sufficiently reliable to accurately estimate and plan for operational needs.
- OST officials told us that its tractors were not replaced before the end of the useful lives due to competing management priorities and classification issues. To help mitigate the impact of overtime required to conduct mission and training workload while addressing quality of life issues associated with extended periods of time on mission status, OST implemented a predictive schedule. Currently, OST uses the Transportation Resources Integrated Planning Suite (TRIPS) to forecast mission demands and plan for needed resources. However, with the exception of one limited manual validation of mission demands that compared FY 2006 shipping forecasts to actual FY 2006 shipments, OST has not validated the accuracy of its shipping forecasts. Also, we noted that OST had not integrated TRIPS, its mission and forecasting system, with its mission execution system that tracks actual shipments.
- Because of the critical nature of OST's cargo, and its role as the sole provider of this unique capability, any interruption of OST's ability to complete its mission would result in an unacceptable impact on national security. Accordingly, management attention is needed to address these challenges to reduce the risk that OST will be unable to meet its future mission requirements. NNSA management concurred with the report's recommendations, proposed corrective actions and stated that these items will be used to

continue improving NNSA's implementation of securing and safety transporting nuclear weapons.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Ohio*, (OAS-RA-12-13, June 2012)

- Under the American Recovery and Reinvestment Act of 2009, the Department of Energy's Weatherization Assistance Program (Weatherization Program) received \$5 billion to increase the energy efficiency of dwellings owned or occupied by low-income persons. The State of Ohio (Ohio) administers its Recovery Act grant through 58 local agencies. These local agencies are responsible for determining applicant eligibility, evaluating homes to determine appropriate weatherization measures, awarding contracts and assigning in-house crews to weatherize homes, and conducting final inspections of completed homes. The Department awarded a 3-year, \$267 million Recovery Act weatherization grant to Ohio Department of Development. Ohio planned to use its Recovery Act funding to weatherize more than 32,000 homes. As of December 31, 2011, Ohio had weatherized 37,566 homes, exceeding its estimated goal, and had expended almost all of its Recovery Act grant funds. Given the significant increase in funding and demands associated with weatherizing thousands of homes, we initiated this audit to determine whether Ohio had adequate safeguards in place to ensure the Weatherization Program was managed efficiently and effectively.
- Ohio had not always managed its Weatherization Program efficiently and effectively. We identified weaknesses that impacted Ohio's ability to meet the objectives of the Weatherization Program and the Recovery Act. Specifically, Ohio and its local agencies had not always:
 - Provided quality weatherization services. In particular, 70 percent of the homes reinspected by Ohio during the period of September 2009 through December 2010, required additional work to meet Ohio's quality standards, even though they had previously passed Ohio's reinspection because of major quality of work issues, or a significant number of lesser findings that could compromise the health and safety of the occupants, or the homes' structural integrity. Ohio's Office of Inspector General's November 2011, *Report of Investigation* also noted the high frequency of homes requiring action after Ohio's reinspection. Further, Ohio had not met the annual requirement to reinspect at least 5 percent of each local agency's completed homes. Additionally, Ohio and its local agencies had not developed systems to adequately track and summarize systemic quality of work issues, and crews and contractors that repeatedly underperformed;
 - Procured materials, equipment and services in accordance with Federal and State requirements. For example, at one local agency, about 96 percent of 372 items reviewed had not been purchased through a competitive bidding process or supported by cost or price analyses. As a result of these issues, we

questioned over \$585,000 in procurement costs at two of the three local agencies reviewed;

- Ensured that recipients were selected for weatherization services based on their priority and that they met income eligibility requirements. In particular, we found that a local agency selected five weatherization applicants before 205 others who had previously been determined to be a higher priority. Another agency relied on income information that was more than 12 months old, even though Ohio required that eligibility be based on the 12 months of income immediately prior to application; and,
- Complied with laws and regulations governing the Weatherization Program, including the Davis-Bacon Act for prevailing wage rates, and Federal requirements governing the remittance of interest earned on Federal fund advances and the reimbursement of allowable costs. As a result of our work, for example, one agency retroactively paid employees approximately \$55,000 in wages. Another agency remitted approximately \$76,000 to Ohio in interest earned on advanced funds. We also questioned \$23,400 in costs charged by another local agency that were not fully supported as required.

■ We analyzed Ohio's management of its Recovery Act Weatherization Program and reviewed the weatherization activities of three local agencies, IMPACT Community Action, the Community Action Partnership of the Greater Dayton Area (Dayton), and Cuyahoga County of Ohio Department of Development (Cuyahoga). In September 2011, we issued separate examination reports on Dayton and Cuyahoga. The examinations were performed by Lopez and Company, LLP, an independent public accounting firm under contract with the Office of Inspector General. The results of these examinations have been incorporated into this report to provide a statewide summary of findings. While most Recovery Act funds had now been expended at the time we issued this report, we believe that our recommendations should help Ohio as it transitions its weatherization activities to a post-Recovery Act environment.

■ The Weatherization Program deficiencies we observed occurred for a number of reasons, including poor final inspections, staffing issues, inadequate oversight by Ohio, and the failure of local agencies to either understand or follow Federal and State requirements. We also identified areas in which local agencies' and/or Ohio's policies and procedures were not fully consistent with Federal requirements. For example, Ohio and its local agencies had not adequately tracked and summarized performance statistics to identify and address commonly recurring problems or contractors and agencies that repeatedly underperformed. As discussed in the body of this report, we also identified areas in which local agencies' and/or Ohio's policies and procedures were not fully consistent with Federal requirements.

■ It is imperative that the Weatherization Program is managed to ensure Department requirements are met; monies are spent with transparency, accountability and for intended purposes; and, deserving households receive the services to which they are entitled. To their credit, Ohio and local agencies in our review have already begun to take action to correct previously observed weaknesses. We have made a number of recommendations designed to improve Ohio's Weatherization Program. The Department concurred with our recommendations and stated it will continue to work with Ohio to implement corrective actions and resolve the issues described in the report.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Examination Report on *The Department of Energy's American Recovery and Reinvestment Act – Ohio State Energy Program (A11RA052)*

- The reports present the results of an examination of the State of Ohio's (Ohio) implementation of the State Energy Program (SEP). The Office of Inspector General contracted with an independent certified public accounting firm, Otis & Associates, PC (Otis), to express an opinion on Ohio and its sub-grantees' compliance with Federal and State laws, regulations and program guidelines applicable to SEP.
- The Department of Energy's SEP provides grants to states, territories, and the District of Columbia (states) to support their energy priorities and fund projects that meet their unique energy needs. The American Recovery and Reinvestment Act of 2009 significantly expanded the SEP by providing an additional \$3.1 billion for state projects. The Ohio Department of Development (ODOD) was allocated \$96.1 million in SEP funds under the Recovery Act. ODOD divided the funds into five separate programs funding more than 123 projects. Otis selected four sub-grantees to test their compliance with Federal and State laws, regulations and program guidance. The four sub-grantees selected were New Horizons Baking Company (NHBC), Metro Regional Transit Authority (MRTA), Forest City Residential Management, Inc; and Timken Company.
- Otis expressed the opinion that except for the weaknesses described in its reports to NHBC and MRTA, the sub-grantees complied in all material respects with the requirements and guidelines relative to SEP. Regarding the areas of minor non-compliance, the examination found that NHBC did not comply with the Davis-Bacon Act and pay the appropriate prevailing wage; and, MRTA did not designate a separate account code to track Recovery Act funding. The NHBC report recommended that Ohio and NHBC ensure that the prevailing Davis-Bacon Act wage rates are properly paid to contractors and subcontractors. The MRTA report did not include a recommendation because the project was completed and all project funds for the project were spent.
- As part of its responsibilities for managing the SEP, we recommend the Assistant Secretary for Energy Efficiency and Renewable Energy (1) Ensure the State of Ohio and its sub-grantees comply with the Davis-Bacon Act and pay the appropriate wage rates; and, (2) Ensure sub-grantees separate Recovery Act funding from other sources of funding.

Team Leader:
Technical Monitor:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

- A Decision Briefing was held on Monday, June 25, 2012, for the inspection on Alleged Conflict of Interest at Sandia National Laboratories, New Mexico. Both the DIGAI and AIGS attended and requested the staff to prepare a letter report. We did not substantiate the allegation.

Team Leader:
Project Lead:
Team Member:

(b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

Inspection on *Allegation on NNSA Contracts* (S12IS015)

- On June 21, 2012, the Office of Inspections initiated fieldwork for the *Allegation on NNSA Contracts* (S12IS015). The objective of the inspection is to determine if the National Nuclear Security Administration is paying fee for work that the contractor is already obligated to perform as a non-fee-bearing task at Pantex/Y-12.

Team Leader:
Project Lead:
Team Members:

(b)(6)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

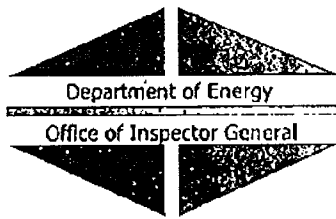
OTHER MATTERS:

- In June, the Eastern Audits Division was joined by Patrick Edwards and Jessica Smith in the Germantown, MD office. Patrick comes to us from the Department of Labor where he worked as a claims examiner. Jessica joins the Office of Inspector General from the Department of Defense where she worked as an Auditor. We would like to welcome both Patrick and Jessica to the Department of Energy OIG family.
 - Chris Training Requests – For the interim, please list the following as Step 2/Approver 2: George Collard (for Audits) and Sandra Bruce (for Inspections).
-

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending July 13, 2012

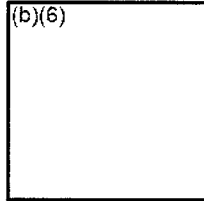
FINAL REPORTS ISSUED THIS WEEK:

Inspection Report on *Management of Explosives at Selected Department Sites*, (INS-O-12-02, July 2, 2012)

- In support of its research and development mission and security of its facilities, the Department of Energy (Department) maintains a significant inventory of explosives. In terms of mission, the Department conducts research into explosives detection, effects and mitigation. These processes are inherently hazardous. To help reduce the risk of harm, the Department developed the *DOE Explosives Safety Manual* to provide direction for protecting its personnel from injury during explosives operations. Given the dangerous nature of explosives, the potential for catastrophic incidents and our prior concerns, we initiated this inspection to determine whether explosives were being safely handled and stored at selected Department sites.
- Our inspection revealed problems with handling and storing explosives at each of the four contractor-operated sites we visited, potentially increasing the risk of harm to personnel and infrastructure. Specifically, we found that, contrary to established practice designed to minimize the impact of inadvertent detonation, Savannah River Site and Idaho National Laboratory performed explosive shipment inspections during peak traffic hours at populated main gates rather than at remote area and/or during non-peak traffic hours; Savannah River and Idaho inspection procedures could potentially allow inspection handlers to return unsafe explosives shipments to public highways, possibly exposing the general public to hazardous conditions; and, following one experiment, Sandia National Laboratories returned the remains of explosives that had undergone various tests to storage without completing a required, documented determination of whether storage with other active explosives represented an unacceptable safety risk.
- We also observed that excess combustible and non-combustible materials were being stored in explosives bunkers; incorrect bunker placards and fire symbols were posted on bunkers and buildings; and, excess explosives waste was not being disposed of timely. These actions could have resulted in injury to employees and members of the public from unanticipated explosives events. Notably, management officials at all of the sites took immediate action to resolve these particular issues as soon as we brought them to their attention. The only issue we observed at Los Alamos, the storage of boxes and trash in an explosives operating area, was corrected immediately after we identified it.
- We found that Department management had not focused the attention needed to ensure that the responsible facilities contractors properly implemented Department policies for handling and storing explosives, as required. Also, contractor officials charged with managing and safeguarding explosives had not ensured compliance with various aspects of the *DOE Explosives Safety Manual*. Although various reasons were offered by contractor officials in support of their approaches, the actions taken did not comport with protocols established by the Department for ensuring explosives safety.

- Failure to properly implement safety protocols for explosives handling and storage procedures unnecessarily increases the risk of harm to personnel, infrastructure and equipment. In response to our findings, Department management took corrective actions during the inspection to address most of the issues identified in this report. For the remaining policy and operational issues, we made recommendations regarding changes to explosives safety policy and procedures. The actions initiated by the Department, coupled with those outlined in our recommendations should, if fully implemented, help improve the safety at the Department's explosives storage and operating facilities.
- The Chief Health, Safety and Security Officer generally concurred with the intent of the findings of the report, stating that the explosive shipment inspection issue had already been properly addressed; however, the Office of Health, Safety and Security maintained that it would discuss our concerns, make appropriate additions and update the Technical Standard during the next annual Explosives Safety Committee meeting. In separate comments, the Manager, Idaho Operations Office generally agreed with the intent of our recommendation and indicated that procedures would be reviewed to ensure that explosives will not be delivered during peak-traffic hours. The other sites we reviewed elected not to provide official comments on our report.

Team Leader:
Lead Inspector:
Staff:



Report on Audit Coverage of Cost Allowability for DM Petroleum Operations Company under Department of Energy Contract Number DE-AC96-03PO92207 during Fiscal Years 2009 through 2011 (OAS-V-12-08, July 11, 2012)

- Since 1993, DM Petroleum Operations Company (DM) (formerly DynMcDermott Petroleum Operations) has operated the Strategic Petroleum Reserve (Reserve) under contract with the Department of Energy (Department). The Reserve is the world's largest Government-owned emergency crude oil stockpile and currently stores about 696 million barrels of crude oil in a series of underground salt caverns along the coastline of the Gulf of Mexico. DM manages the Reserve under a management and operating contract that expires on March 31, 2013. During Fiscal Years (FYs) 2009, 2010 and 2011, DM expended and claimed \$384,297,287.44.
- To help ensure that only allowable costs are claimed by the Department's integrated contractors and to make efficient use of available audit resources, the Office of Inspector General, the Department's Office of Procurement and Assistance Management and contractors have implemented a Cooperative Audit Strategy. This strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Cooperative Audit Strategy, DM is required by its contract to maintain an Internal Audit function with responsibility for conducting audits, including audits of the allowability of incurred costs. In addition, DM is required to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor.
- Based on our audit, nothing came to our attention to indicate that the allowable cost-related audit work performed by DM Internal Audit did not meet Institute of Internal

Auditors Standards and could not be relied upon. Further, we noted that unallowable costs identified by Internal Audit had been resolved, and that DM had arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. We identified no other audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for FYs 2009, 2010 and 2011.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *Follow-up on the Department of Energy's Implementation of the Advanced Batteries and Hybrid Components Program Funded under the American Recovery and Reinvestment Act* (OAS-RA-L-12-05, July 2012)

- Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's Advanced Batteries and Hybrid Components Program (Advanced Batteries Program) received almost \$2 billion to support the construction of U.S. based battery and electric drive component manufacturing plants. As of June 2012, the Advanced Batteries Program had awarded 30 grants to for-profit manufacturers and had expended about \$1.2 billion.
- In April 2010, we issued our first report on the Advanced Batteries Program, *Progress in Implementing the Advanced Batteries and Hybrid Components Program under the American Recovery and Reinvestment Act* (OAS-RA-L-10-04). In short, we concluded that the Department had made significant progress implementing the Advanced Batteries Program, including developing a comprehensive monitoring system plan to reduce the financial, technical and marketing risks associated with large-scale projects. Because of the importance of the Advanced Batteries Program to stimulating the economy, creating jobs and establishing a U.S. capability to manufacture advanced batteries, we initiated this follow-up audit to determine whether the Department had managed the Advanced Batteries Program efficiently and effectively. During the course of our review, we also evaluated circumstances related to an allegation received by the Office of Inspector General that an employee of one recipient had unduly influenced procurement decisions and violated conflict of interest provisions.
- Based on our test work, we were unable to substantiate the allegation related to a potential conflict of interest. Our review, however, identified opportunities for the Department to improve its administration of the Advanced Batteries Program. Specifically, the Department could:
 - Better define regulations governing the retention of documentation supporting procurement decisions. Regulations currently require for-profit recipients to follow best commercial practices, but do not define such practices. One recipient in our sample had purchased about \$24 million in equipment and services without adequately documenting purchasing decisions;
 - Ensure recipients adequately safeguard equipment purchased with Federal funds. We were unable to locate equipment purchased by one recipient totaling about \$500,000; and,

- Obtain and review required audit reports to ensure the sufficiency of internal controls and compliance with laws and regulations. Of 28 program recipients, 8 had not submitted required reports.

- As outlined in the remainder of our report, we believe that action to address these issues will enhance overall transparency and accountability.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Coordination Draft Inspection Report on *Alleged Ethical and Procurement Concerns at the Office of Nuclear Energy*, July 12, 2012

- The Office of Inspector General received a complaint alleging that a Department of Energy (Department) management official within the Office of Nuclear Energy (NE) may have violated Federal regulations and procurement guidelines regarding preferential treatment of a contractor employee, to include involvement in contractor hiring decisions relating to that employee.
- We did not substantiate the allegation that the Department NE manager violated Federal regulations and procurement guidelines involving contractor hiring decisions. While we found that the subject of the allegation had taken certain actions on behalf of a particular individual, the involvement did not appear to violate Federal regulations. Based on information gathered during the course of our inspection, the Department's Office of General Counsel opined that the actions taken by the NE manager did not reach the level of violating Federal regulations or procurement guidelines.
- We did note, however, that the actions taken by the NE manager may have caused others to perceive that the manager improperly influenced the hiring decisions of the contractors involved. For example, we found that the NE manager in question did speak with contractor officials regarding the qualifications and hiring of a particular individual on at least two occasions:
 - During a meeting between the NE manager and a contractor project manager, a particular individual's name was mentioned regarding job-related qualifications for work on a new project within NE. As a result of the meeting with the NE manager, the contractor project manager hired the individual as a consultant.
 - Approximately 2 years later the same NE manager contacted another Department site and attempted to secure a position for the same individual under another service contract. The reason given was that the individual's services were too costly under the existing contract and the NE manager was seeking to retain the individual's services at a lower cost.

- Additionally, during our inspection, we learned that the sort of involvement we identified in this case was not unique. Department procurement officials told us that involvement by program officials in contractor hiring decisions was not an uncommon practice. Although the report made no recommendations, we suggested that management take steps to ensure strict compliance with recently published guidance on Federal officials' involvement in contractor hiring decisions.

Lead Inspector:
Staff:

(b)(6)

Draft Audit Report on *The Management of the Plateau Remediation Contract* (A11RL031, July 12, 2012)

- The Department of Energy's (Department) Richland Operations Office (Richland) awarded a contract, effective October 1, 2008, to CH2M HILL Plateau Remediation Company (CHPRC) to remediate select portions of the Hanford Site's Central Plateau. The contract, which could extend for a maximum of 10 years, has a negotiated cost of \$6.6 billion. The Plateau Remediation contract work scope includes remediation of the Plutonium Finishing Plant and a number of other environmental impacts of nuclear weapons related production activities. The Department administers contracts such as the CHPRC contract, in part, through a contract change proposal and approval process in accordance with the Federal Acquisition Regulation (FAR). As part of this process, the Department reviews, negotiates and approves changes in work scope contained in contractor change proposals. The FAR requires that change proposals contain sufficient cost information to permit independent audits to determine if the change is ready for negotiation and incorporation into the contract. The Department's goal is to identify and resolve, within 180 days of the contractor assuming work, differences between the work scope specified in the original Request for Proposal and that existing at the time the contract becomes effective. Successful completion of this process allows for the formal approval of the Performance Measurement Baseline (PMB), a project management tool that permits the Department to assess actual contractor cost and schedule performance against estimates to complete contract work scope. We received an allegation that CHPRC had not met a number of contract terms and conditions and that the Department had not corrected performance issues. The complainant noted that CHPRC had not provided change proposals and performance baselines that met contract and FAR requirements. As a result of the complaint and because of the significance of this contract, we initiated this audit to determine whether the Department had adequately managed changes to the Plateau Remediation Contract.
- Our review largely substantiated the allegations. We found that CHPRC had not always met contract and FAR requirements for submitting timely and/or well supported contract change proposals. Contributing to delays in definitizing performance baselines, the Department was not always timely in formally notifying the contractor of needed changes in work scope. As such, the Department was not always able to effectively measure the contractor's performance because it did not have reliable estimates to measure against actual cost performance – a factor that significantly increased the Department's risk of inappropriately rewarding the contractor for poor cost performance.

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(b)(5)

- We noted the issues described in this report are not unique to the Plateau Remediation Contract. Other Office of Inspector General audits of Environmental Management projects have identified similar issues with timely processing of contractor change proposals and management of performance baselines. As a result, we made several recommendations to the Senior Advisor for Environmental Management to address these issues.

Team Leader:
AIC:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

Entrance Conference on *Follow-up Inspection on Characterization Wells at Los Alamos National Laboratory* (S12IS014)

- An Entrance Conference was conducted on July 10, 2012, for the *Follow-up Inspection on Characterization Wells at Los Alamos National Laboratory*. The objective of the inspection is to determine if Los Alamos implemented the recommendations of Inspection Report DOE/IG-0703, *Characterization Wells at Los Alamos National Laboratory*, concerning the policies and procedures for the installation of characterization wells and the conversion to monitoring wells.
- The video teleconference was supported by personnel at three locations: Albuquerque, National Nuclear Security Administration (NNSA) Headquarters, and Los Alamos. Representatives from NNSA Headquarters, the Los Alamos Site Office, the Los Alamos National Laboratory, and the Albuquerque Complex were in attendance.

Team Leader
Project Lead

(b)(6)

Team Member

(b)(6)

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

The Central Audits Division's Denver Office is pleased to announce the addition of Vanya Pashaliyska, Auditor, to the Audit Team. Ms. Pashaliyska started July 2, 2012, and comes to us from the Department of Justice's Office of Inspector General, where she was an Auditor for the past two years. Vanya is a graduate of the Metropolitan State College in Denver, and received Bachelor degrees in Marketing and Management with a Minor in Accounting, and graduated summa cum laude with a 4.0 grade point average. Her interests are horseback riding, traveling, and she is currently pursuing aviation studies and plans to begin working toward her private pilot's license in the coming spring. Please join us in welcoming Ms. Pashaliyska to the Central Audits Division/Office of Inspector General family.

JOYS, CARES, CONCERNS:

Distribution:

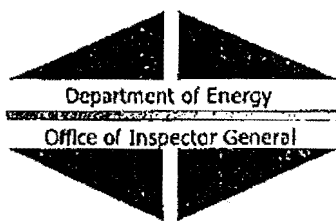
Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections

Director for Planning, Administration & Quality Assurance

Division Directors

Assistant Division Directors

Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending July 20, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

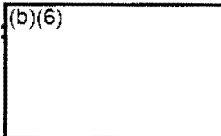
Special Report on *Inquiry on Procurement of Law Firm Services and Management of Law Firm Disclosed Conflicts of Interest by the Department of Energy's Loan Programs Office*, July 18, 2012 (A12HQ012)

- The Department of Energy's (Department) Loan Programs Office was created to accelerate the domestic commercial deployment of innovative and advanced clean energy technologies by guaranteeing and providing loans to eligible recipients. The Loan Programs Office currently oversees over \$34 billion in loans to about 40 projects. From the outset, the Department concluded that it needed independent legal advisory services from private law firms to assist in its review of loan guarantee applications. In response to solicitations, the Department entered into Retainer Agreements with 10 firms. The Retainer Agreements, Federal regulations and American Bar Association's Model Rules of Professional Conduct require law firms to disclose any actual or potential conflicts of interest. Recognizing that such conflicts were likely under the circumstances, the Department required law firms to complete a mitigation plan describing how actual or potential conflicts of interest would be avoided or mitigated. It also reserved the right to grant waivers when appropriate.
- We received anonymous complaints alleging various improprieties in the Loan Programs Office related to the procurement of legal services and the management of law firm disclosed conflicts of interest in the Innovative Technology Loan Guarantee Program (Program). In response, we initiated a special inquiry to review the circumstances surrounding the allegations. Our inquiry did not substantiate the specific allegations outlined in the complaint. Absent additional information, we plan no further action regarding the original allegations.
- We did, however, identify opportunities to improve transparency over the Program's management of organizational conflict of interest waiver requests. Specifically, we noted that the Program had not deployed a tracking system for managing law firm waiver requests and had not documented, in an organized system of records, the rationale for denying or approving waiver requests. The issues observed parallel the findings in prior Loan Guarantee Program reviews.
- We found that the Program had not deployed a tracking system for the receipt, review and denial/approval of law firm waiver requests. Although the Program developed a

standardized waiver request form, Program officials stated that the tracking of waivers was done only through emails. They also asserted that they believed their process complied with applicable procurement requirements and the Retainer Agreements.

- Our inquiry also established that available records, in a number of cases, lacked sufficient information to enable an independent reviewer to understand the reasons for granting waivers of conflicts of interest. Prior to, or contemporaneous with, granting requested waivers, the Department had not always memorialized key decision points, and therefore could not demonstrate, through systematically organized records, that its justifications for granting waivers for actual or potential conflicts of interest were appropriate. In response to our request for information supporting the decision-making processes, the Program could only provide emails that were retained on a Program official's computer.
- We recognize that the notion of sufficiency in terms of documentary evidence supporting conflict of interest waiver decisions is subjective. However, given the taxpayer-provided funds at risk in the Loan Guarantee Program, the sensitivity of the Program, and its reliance on outside law firm legal advice free from conflicts and impairments, we concluded that the Department should ensure contemporaneous records clearly demonstrate the support and rationale for approving or denying conflict of interest waiver requests. Ultimately, greater transparency in the decision-making process could be of special value in the event of a default, bankruptcy or similar event.

Acting Team Leader:
AIC:
Staff:



DRAFT REPORTS ISSUED THIS WEEK:

Follow-up Audit of the National Nuclear Security Administration's W76 Nuclear Warhead Refurbishment Program, July 16, 2012, (A10AL002)

- The Department of Energy's National Nuclear Security Administration (NNSA) is responsible for ensuring that the Nation's nuclear weapons stockpile continues to meet National defense requirements. As part of that effort, NNSA is refurbishing the W76 nuclear warhead to address aging concerns. The goal of the W76 Life Extension Program (LEP) is to extend the warhead life by 30 years. However, the LEP program has experienced significant delays in startup and in achieving production goals. By the end of Fiscal Year 2011, NNSA had completed less than half of the units originally planned due to technical production issues. Delays encountered thus far have significantly increased the risk that the W76 LEP and follow-on weapon refurbishments cannot be accomplished in time to meet commitments to the Department of Defense. In our 2006 report, *W76 Life Extension Project* (DOE/IG-0729, May 2006) the Office of Inspector General reported that NNSA was at risk of not achieving the first production unit for the W76 refurbishment by the end of FY 2007 within the established scope, schedule and cost parameters. Given the additional delays and the importance of the LEP, we initiated this follow-up audit to take a fresh look at the status of NNSA's W76 refurbishment program, focusing on NNSA's ability to reduce unit costs.
- Without a more effective effort to reduce unit costs, NNSA may be unable to complete the W76 LEP within established scope, cost and schedule parameters. This concern is

exacerbated by the fact that the program is faced with a relatively flat budget over the next few years, even though its annual scope of work is projected to increase significantly. The program's budget increases through FY 2014 are projected to be only 2.9 percent more than FY 2011 levels. The program's production schedule, however, shows production increasing 59 percent during the same period. The increase in production appears to be unsustainable given the projected funding. Although a senior NNSA official expressed confidence that NNSA would achieve the increased production rates within the out-year budget estimates, program officials could not provide plans detailing actions necessary to achieve the needed cost reductions.

- NNSA may not realize the per unit cost savings necessary to complete the W76 LEP within established scope, cost and schedule parameters. To meet its scope and schedule commitments within a relatively flat budget, NNSA must reduce the annual cost per unit by 35 percent by FY 2014. However, NNSA weapons design and production sites responsible for completing the LEP estimated that they can realize only a 25 percent cost per unit savings by FY 2014. NNSA Stockpile Management officials expressed confidence that the program can achieve the increased production rates within the FY 2012 Congressional Budget Request estimates. Yet, program officials could not provide plans detailing the specific actions needed to achieve necessary cost reductions.
- NNSA may be better positioned to measure overall effectiveness of the W76 LEP by fully utilizing available performance management tools. Program officials consider Earned Value Management Systems (EVMS) to be a best practice. NNSA used EVMS to measure each site's performance against current year budget authority and workload requirements. Although a program-wide EVMS has not yet been implemented, a W76 LEP official told us that NNSA plans to use EVMS at the program level in future years.
- Delays in completing the W76 LEP within planned scope, cost and schedule could have national security implications. If NNSA is unable to achieve the cost per unit reductions necessary to meet the W76 LEP's planned production requirements within budget, it will require additional funding, a reduction in scope, or a delay in production. Delays in completing the W76 within schedule, for instance, could prevent NNSA from beginning full production of the B61 bomb refurbishment to meet the United States' commitments to the North Atlantic Treaty Organization.
- Given the current widespread calls for dramatic reductions in Federal spending, NNSA may be faced with future budget reductions. To assist NNSA in meeting its W76 LEP goals within available budgets, we recommend that the Administrator, NNSA ensures that Defense Programs develop a forward-looking plan to reduce costs program-wide to meet planned production rates within budget, and implements and utilizes a program-wide EVMS that quantifies required scope, schedule and cost performance through the end of the program.

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

Audit Report on *Oak Ridge National Laboratory's Waste Diversion Efforts*, (OAS-L-12-06, July 20, 2012)

- Executive Order (E.O.) 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*, mandates that each Federal facility maintain a cost-effective waste prevention and recycling program. Further, E.O. 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*, requires that Federal agencies achieve a 50 percent diversion rate for construction and demolition materials and debris, and a 50 percent rate for non-hazardous solid waste by the end of Fiscal Year (FY) 2015. Waste diversion includes the prevention and reduction of generated waste through recycling, reusing or composting. Diverting materials from the waste stream generates a host of benefits including conserving energy, reducing disposal costs and contributing to a cleaner, safer environment. The Department of Energy tracks its waste diversion progress via the Pollution Prevention Tracking and Reporting System.
- The Oak Ridge National Laboratory (ORNL) Pollution Prevention Program (Program) plays a vital role in the Department's overall waste diversion efforts. During FY 2011, ORNL generated over 9,500 metric tons of non-hazardous solid waste, including debris from construction and demolition projects. Because of the environmental, financial and social benefits of reducing the amount of waste sent to the landfill, we initiated this audit to determine whether ORNL was effectively diverting materials from the waste stream. This is the first in a series of reports on the Department's waste diversion efforts at select sites.
- We found that ORNL had an established Program that effectively diverted materials from landfills and contributed to the Department's overall waste diversion effort, primarily through recycling and reusing materials. In our review of ORNL's FY 2011 data, we found that it recycled or reused over 5,100 of its 9,500 metric tons of solid waste, and thus diverted it from landfill disposal. For example, ORNL diverted 62 percent of its construction and demolition debris, thus exceeding the 50 percent target established by E.O. 13514 and meeting the Department's FY 2015 target 4 years earlier than required. Further, ORNL diverted 26 percent of its non-hazardous solid waste. In an effort to meet the 50 percent target for diversion of non-hazardous solid waste by FY 2015, ORNL also identified the need for additional initiatives and developed plans to execute those strategies.
- While ORNL's performance in FY 2011 was notable, we did find several minor inconsistencies between planned activities and actual performance. For example, we found that ORNL had not conducted pollution prevention opportunity assessments despite the fact that the Program emphasized the importance of such assessments in helping to identify waste diversion opportunities. ORNL officials stated that it had been difficult to perform assessments due to the non-routine nature of laboratory work. As an alternative, officials requested selected divisions to develop, document and implement plans to reduce or eliminate the environmental impacts of its activities. This request permitted divisions to select from a wide-range of activities including commitments associated with waste generation, water or air emissions, and energy efficiency. We noted that this approach resulted in several divisions implementing additional waste diversion activities. Because of ORNL's progress in this area, formal recommendations are not being made in this report.

Team Leader:
AIC:
Staff:

(b)(6)

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FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- An entrance conference was held on Monday, July 16, 2012, regarding the *Audit of Work for Others at the Lawrence Berkeley National Laboratory* (Berkeley). The objective of this audit is to assess the internal control structure in the current environment at Berkeley and whether it is effective in achieving the current goals and objective of the Work for Others Program. The Office of Inspector General (OIG) has engaged KPMG, LLP to perform the subject audit. In attendance were representatives from the OIG, KPMG, Office of Science, Berkeley Site Office, and Berkeley's contractor. Livermore Audit Group Team Leader Kelley Boyle.

- An entrance videoconference was held on Wednesday, July 18, 2012, for the *Follow-Up Audit of the Los Alamos Neutron Science Center* (LANSCE). Its objective is to determine whether LANSCE has a viable mission within the Department. Representatives from LANSCE, Los Alamos National Laboratory, Los Alamos Site Office, the Office of Science, and NNSA attended. Los Alamos Audit Group Team Leader (b)(6) will oversee (b)(6) (b)(6)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

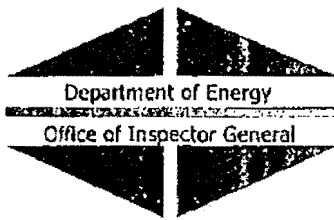
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Deputy Inspector General for Audits & Inspections
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Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending July 27, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Report on *The Department of Energy's American Recovery and Reinvestment Act – Missouri State Energy Program*, (OAS-RA-L-12-06, July 20, 2012)

- The Department of Energy's (Department) Office of Energy Efficiency and Renewable Energy (EERE) provides grants to states, territories and the District of Columbia (states) to support their energy priorities through the State Energy Program (SEP). Funding is based on a grant formula that considers population and energy consumption, and in Fiscal Year (FY) 2009 totaled \$25 million. The American Recovery and Reinvestment Act of 2009 (Recovery Act) expanded the SEP by authorizing an additional \$3.1 billion in funding. After reviewing planned activities for each state, EERE made grant awards designed to achieve SEP Recovery Act objectives using existing formulas. These objectives included preserving and creating jobs, saving energy, increasing renewable energy sources and reducing greenhouse gas emissions. In April 2009, EERE granted a \$57.4 million award to the State of Missouri for its Recovery Act SEP. Under the terms of the award, the funds were to be expended by March 31, 2012.
- The State of Missouri's Department of Natural Resources (Missouri) administers the Recovery Act SEP funds. Because of the significant increase in Recovery Act funding, Missouri developed a new, multi-faceted approach to reach as much of the State's populace as possible. Missouri established reimbursement and loan agreements to fund residential, agricultural and industrial energy efficient projects across the State. As part of the Office of Inspector General's strategy for reviewing the Department's implementation of the Recovery Act, we initiated this review to determine whether Missouri effectively administered its Recovery Act SEP grant.
- We found that Missouri had developed a comprehensive SEP program and internal control structure designed to meet Recovery Act objectives. Consistent with a number of other jurisdictions, however, Missouri encountered a number of challenges that initially delayed progress of its SEP projects. In particular, the State encountered delays in establishing contracts, hiring needed staff and in establishing its agriculture loan program. These initial delays impacted the timely infusion of funds into the economy and affected overall grant performance. Because of the delays in administering its grant, the Department ultimately gave Missouri an additional 9 months to spend its funds. Given Missouri's progress at the time of our review, it appeared that the State was on-track to meet the Department's new, extended deadline.

- Missouri requested that the Department extend the grant agreement because it was unable to spend all SEP funds within the original timeframe. In response, the Department granted a 9 month extension until December 31, 2012, to complete the execution of its Recovery Act SEP. According to Missouri officials, as of May 31, 2012, the State had spent \$52.6 million, or 92 percent, of its \$57.4 million award. Given the extension granted to Missouri's Recovery Act SEP, Missouri officials told us that they expect to fully expend the remaining SEP Recovery Act funds.
- Because of actions taken by the Department and Missouri to address the issues we discovered, we made no formal recommendations.

Team Leader:
AIC:
Staff:

(b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Examination Report on *Community Action Partnership of Orange County – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009*, July 19, 2012, (A11RA038)

- The examination report presents results of the Community Action Partnership of Orange County's (Agency) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization Assistance Program (Weatherization Program). The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Agency's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. The Agency is a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of California.
- The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of California received \$186 million in Recovery Act Weatherization Program funding, of which \$7.3 million was allocated to the Agency to weatherize 2,342 homes. The State of California Department of Community Services and Development was responsible for administering Weatherization Program grants, including funds provided the Agency.
- Lopez and Company, LLP, expressed the opinion that except for the weaknesses described in its report, the Agency complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period of July 1, 2009 through June 30, 2011.
- However, the examination found that the Agency:

- Failed to evaluate the quality of work performed on 7 of 60 homes (12 percent) reviewed. Federal guidelines state that no dwelling can be reported as complete until all weatherization materials have been installed and a final inspection has been performed. However, the Agency and its contractors were paid \$24,900 for the work performed on these 7 homes even though the quality and completeness of work was not verified and approved;
- Required re-work on a significant percentage of homes weatherized by its contractors prior to completion. Specifically, 12 of 35 homes (34 percent) reviewed had final inspections that identified necessary re-work. Additionally, the same contractor performed work on 18 of the 35 homes reviewed and of those, 9, or 50 percent required re-work; and,
- Procured weatherization materials and contractor services without evidence that a cost or price analysis was performed. As a result, Lopez and Company, LLP, questioned \$190,000 in costs associated with the procurements identified in its review.

■ The report makes recommendations to the Agency to improve the administration of its Weatherization Program. The Agency provided comments that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. While these comments and planned corrective actions are responsive to the recommendations, the Department needs to ensure the planned actions are taken.

Team Leaders:

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Staff:

Audit Report on The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Maryland, July 23, 2012, (A11RA013)

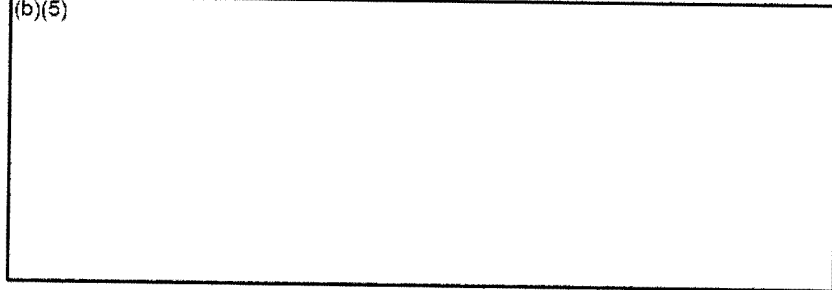
- The Department of Energy's (Department) Weatherization Assistance Program (Weatherization Program) received \$5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to improve the energy efficiency of residences owned or occupied by low-income persons. The Department subsequently awarded a 3-year Recovery Act Weatherization Program grant of \$61.4 million to the State of Maryland (Maryland) to weatherize 6,850 homes. This grant provided over eight times the \$7.4 million in Weatherization funds made available to Maryland in Fiscal Year 2009.
- Maryland's Department of Housing and Community Development administers the Weatherization Program through 18 local agencies, comprised of 9 local governments and 9 community action and other non-profit agencies. These entities are responsible for determining applicant eligibility, assessing and weatherizing homes, and conducting home inspections. Typical weatherization services include installing insulation, sealing ducts, tuning and repairing furnaces, and mitigating heat loss through windows, doors, and other infiltration points. Through December 31, 2011, the State had exceeded its goal, reportedly weatherizing about (b)(5) at a cost of approximately (b)(5).

■ We initiated this audit to determine if Maryland had effectively managed its Weatherization Program. We reviewed the State's Program administration and examined the weatherization activities of three local agencies—Baltimore City Department of Housing and Community Development (Baltimore or City), Montgomery County Department of Housing and Community Affairs (Montgomery County), and Prince George's County Department of Housing and Community Development (Prince George's County). This report focuses on conditions common to the local agencies we reviewed.

■ The State of Maryland had not always managed its Weatherization Program efficiently and effectively. Specifically:

- Local agencies charged 50 percent of total weatherization costs, up to \$1,500 per house, for "program support" costs (costs necessary to weatherize a home that are not otherwise captured in the direct labor and materials) that were not substantiated. For example, Baltimore, Maryland's largest agency with nearly 30 percent of the State's funding, lacked underlying documentation to support about \$2.3 million charged to the Weatherization Program between September 2009 and July 2011; and,
- Baltimore and Montgomery County had not fully complied with other Federal and State requirements governing costs and inventory controls:
 - Baltimore either lacked documentation to support or had erroneously billed the Weatherization Program in 27 instances, or 30 percent of the transactions we reviewed. In total, we questioned about \$55,550 of the approximately \$326,900 reviewed, excluding the program support charges questioned above. Questioned costs include those incurred for repairs and replacements of heating systems and furnaces, light bulb purchases, and printing and professional services. In addition, Baltimore had not tracked and monitored materials and equipment purchased with Recovery Act funds, as required.

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■ As part of our review of Maryland's Weatherization Program, we issued separate examination reports on Montgomery County and Prince George's County. The examinations were performed by Lani Eko & Company, CPAs, PLLC (Lani Eko), an independent public accounting firm under contract with the Office of Inspector General. After learning of allegations regarding potential criminal activity involving top management, Lani Eko, disclaimed an opinion on whether Prince George's County had complied with Weatherization Program requirements. The results of these examinations have been incorporated into this report to provide a statewide summary of findings.

- The issues we identified occurred, in part, because State and local agencies did not follow Federal grant requirements. Specifically, contrary to Federal regulations and Department policy requiring documentation for all costs incurred and claimed, Maryland allowed agencies to charge 50 percent of weatherization costs for program support, not to exceed \$1,500 per home, without supporting actual costs incurred. According to State policy, the allowance was intended to cover items such as transportation of weatherization materials; maintenance, operation and insurance of vehicles used to transport materials; maintenance of tools and equipment; storage of weatherization materials; and liability insurance. However, the State had not required agencies to justify program support costs or reviewed the sufficiency of the related documentation to account for program support charges. From September 2009 through December 30, 2011, Maryland reimbursed local agencies about \$9.5 million for program support costs, an amount we questioned.
- Baltimore officials also told us the deficiencies we identified were the result of significant Recovery Act demands and insufficient time for properly training staff. Officials reportedly prioritized production in an attempt to meet demanding weatherization goals and had little time for financial training.
- Finally, Maryland had not adequately overseen the activities of its local agencies, particularly in regard to financial management. Our review of 18 state monitoring reports for visits conducted between September 23, 2009 and December 22, 2010 indicated the State had not performed comprehensive financial reviews of its local agencies. To their credit, Department officials also identified program support costs as an area of concern during their January 2011 and July 2011 State site visits. In a July 2011 monitoring report, the Department cited the findings of our audit and requested that Maryland discontinue program support reimbursements until Baltimore can clearly account for reimbursements and expenditures.
- In the absence of immediate improvements in financial controls, the risk of fraud, waste and abuse is increased. Overall, we questioned about \$9.57 million in reimbursement claims for direct weatherization expenditures and program support costs. Accordingly, we made recommendations to improve the financial management of Maryland's Weatherization Program.

Auditor-in-Charge:
Staff:

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Examination Report on *Montgomery County Department of Housing and Community Affairs – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009*, July 23, 2012, (A11RA013)

- This report presents the results of an examination of the Montgomery County Department of Housing and Community Affairs (Montgomery County) Weatherization Assistance Program (Weatherization Program) under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Office of Inspector General contracted with an independent certified public accounting firm, Lani Eko & Company, CPAs, PLLC (Lani Eko), to express an opinion on Montgomery County's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. Montgomery County is a sub-recipient of the Department of

Energy's (Department) Recovery Act Weatherization Program funding for the State of Maryland.

■ The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Maryland received \$61 million in Weatherization Program Recovery Act grant funding, of which \$5.5 million was grant award that was allocated to Montgomery County. The State of Maryland's Department of Housing and Community Development (State) was responsible for administering Weatherization Program grants, including funds provided to Montgomery County.

■ Lani Eko expressed the opinion that, except for the weaknesses described in its report, Montgomery County complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period of April 1, 2009 to January 31, 2011.

■ However, the examination found that Montgomery County had not:

- Properly accounted for 6 of 45 transactions reviewed, or 13 percent, charging the Weatherization Program \$13,000 for items, including heating system repairs/replacements that, according to State policy, should have been paid with funds from other energy-related programs;
- Maintained records adequately accounting for equipment such as blower door systems, gas detectors and moisture meters purchased with Recovery Act funds;

• (b)(5)

• (b)(5)

■ The report makes recommendations for Montgomery County to improve the administration of its Weatherization Program. Montgomery County provided responses that expressed agreement with the recommendations, and provided planned and ongoing actions to address the issues identified. While these comments and planned corrective actions are responsive to the recommendations, the Department needs to ensure the planned actions are taken.

Auditor-in-Charge:
Staff:

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■ The attached report presents the results of an examination of the Prince George's County (County) Department of Housing and Community Development implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization Assistance Program (Weatherization Program). The Office of Inspector General contracted with an independent certified public accounting firm, Lani Eko & Company, CPAs, PLLC, (Lani Eko) to express an opinion on the County's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. The County is a sub-recipient of the Department of Energy's Recovery Act Weatherization Program funding for the State of Maryland.

■ The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Maryland Department of Housing and Community Development (State) received \$61 million in Recovery Act Weatherization Program funding, of which \$2.1 million was allocated to the County. The State was responsible for administering Weatherization Program grants, including funds provided to the County.

■ Lani Eko disclaimed an opinion on whether the County had complied with the requirements and guidelines relative to the Weatherization Program. In May 2011, the former County Executive and County Director of the Department of Housing and Community Development in charge of the Weatherization Program pled guilty to conspiracy to commit extortion in taking bribes from developers on housing projects. Although the charges were unrelated to weatherization, the Executive and Director were directly responsible for management of the Weatherization Program.

■ The County expressed disagreement with the opinion. Specifically, the County felt that the disclaimer of opinion was unwarranted, given that there have been no connections made between two named officials' actions and the Weatherization Program or its staff. However, the former County Director was in charge of the Weatherization Program during the period of the review. The County's comments are included in Attachment 2 of the report. In addition to the County's comments, the State and Department provided responses.

Auditor-in-Charge:
Staff:

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Examination Report on *California Energy Commission — Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009*, July 26, 2012, (A11RA041)

■ This report presents the results of an examination of the California Energy Commission's (Commission) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant Program (EECBG Program). The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Commission's compliance with Federal laws, regulations and program guidelines

applicable to the EECBG Program. The Commission is a grant recipient of the Department of Energy's (Department) Recovery Act EECBG Program funding for the State of California.

- The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. The Commission received a \$49.6 million grant award that was to be expended over a 3-year period, from September 14, 2009 through September 13, 2012.
- Lopez and Company, LLP, expressed the opinion that except for the weaknesses described in the report, the Commission complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period, September 14, 2009 through June 30, 2011.
- However, the examination found that the Commission:
 - Failed to prevent or detect two duplicate drawdowns of reimbursements from the U.S. Department of the Treasury totaling \$678,000. Commission officials were not aware of the problem until we brought the improper drawdowns to their attention.
- The report makes recommendations for the Commission to improve the administration of its EECBG Program. The Commission provided comments that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. While these comments and planned corrective actions are responsive to the recommendations, the Department needs to ensure the planned actions are taken.

Team Leader:
Staff:

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Examination Report on *County of Los Angeles – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009*, July 27, 2012, (A11RA043)

- This report presents the results of an examination of the County of Los Angeles (County) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant Program (EECBG Program). The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the County's compliance with Federal laws, regulations and program guidelines applicable to the EECBG Program. The County is a grant recipient of the Department of Energy's (Department) Recovery Act EECBG Program funding for the State of California.
- The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage

energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. The County received a \$15.4 million formula grant award that was to be expended over a 3-year period from September 28, 2009 through September 27, 2012. The County also received a \$30 million competitive grant award that was to be expended over a 3-year period from June 3, 2010 through June 2, 2013.

- Lopez and Company, LLP, expressed the opinion that except for the weaknesses described in the report, the County complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period of September 28, 2009 through June 30, 2011.
- However, the examination found that the County:
 - Failed to record the grant funding source and corresponding percentage of Federal participation for (b)(5) in its fixed asset records; and,
 - Overstated total labor hours for a contractor included in the County's Recovery Act report for June 2011, due to a calculation error and a lack of review.
- The report makes recommendations to the County to improve the administration of its EECBG Program. The County provided comments that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. While these comments and planned corrective actions are responsive to the recommendations, the Department needs to ensure the planned actions are taken.

Team Leader:
Auditor-in-Charge:

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DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Audit Report on *The Global Threat Reduction Initiative's Molybdenum-99 Program*,
(OAS-L-12-07, July 20, 2012)

- Molybdenum-99 (Mo-99) is used in the production of technetium-99m (Tc-99m), the most commonly used medical radioisotope in the world. Because the U.S. lacks a domestic production capability, its demand is met by other countries, whose processes have recently proven unreliable. In addition, the foreign producers utilize highly enriched uranium (HEU), a practice contrary to the National Nuclear Security Administration's (NNSA) Nuclear Security Goal to minimize the use of HEU in civilian applications. As a part of the Global Threat Reduction Initiative's (GTRI) Mo-99 Program, in Fiscal Years 2009 and 2010, NNSA entered into cooperative agreements (CA) with four commercial entities to accelerate the domestic production of Mo-99 without the use of HEU. Given the goal of minimizing the civilian use of HEU, along with the high domestic demand for Tc-99m, we initiated this audit to determine whether

NNSA's GTRI Mo-99 program was on track to develop a reliable domestic production capability for Mo-99 by the end of 2014.

- Progress has been made in developing a reliable domestic production capability for Mo-99. For example, our review disclosed that as of January 2012, the CA partners had met established milestones. Although one of the partners has indefinitely suspended operations and a second is not expected to meet the 2014 deadline, NNSA officials told us that program objectives can still be achieved by the remaining partners. Further, our tests did not reveal any material internal control weaknesses in selected areas of CA administration. Finally, while there are significant challenges to establishing a reliable domestic production capability for Mo-99, NNSA is aware of the challenges and is considering how best to address them.
- Development of a non-HEU-based Mo-99 production capability supports NNSA's mission to reduce nuclear materials located at civilian sites worldwide. As such, the program's success plays a vital role in achievement of NNSA's nonproliferation goal. In addition, this capability is needed so that the critical medical radioisotope Tc-99m will be available for the U.S. medical community. Therefore, we suggested several actions for the Mo-99 Program Manager to consider.

Team Leader:
AIC:
Staff:

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Letter Report on *Y-12 National Security Complex's Waste Diversion Efforts*, (OAS-L-12-08, July 20, 2012)

- Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*, mandates that each Federal facility maintain a cost-effective waste prevention and recycling program. Further, Executive Order 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*, requires that Federal agencies achieve a 50 percent diversion rate for construction and demolition materials and debris and a 50 percent rate for non-hazardous solid waste, by the end of Fiscal Year (FY) 2015. Waste diversion includes the prevention and reduction of generated waste through recycling, reusing or composting. Diverting materials from the waste stream generates a host of benefits including conserving energy, reducing disposal costs and contributing to a cleaner, safer environment. The Department of Energy (Department) tracks its waste diversion progress via its Pollution Prevention Tracking and Reporting System.
- The Y-12 National Security Complex (Y-12) Pollution Prevention Program (Program) plays a vital role in the Department's overall waste diversion efforts. During FY 2011, Y-12 generated over 16,000 metric tons of non-hazardous solid waste, including debris from construction and demolition projects. Because of the environmental, financial and social benefits of reducing the amount of waste sent to the landfill, we initiated this audit to determine whether Y-12 was effectively diverting materials from the waste stream. This is our second in a series of reports on the Department's waste diversion efforts at select sites.

■ We found that Y-12 had an established Program to divert materials from the landfill and contributed to the Department's overall waste diversion efforts through recycling and reusing of materials. Specifically, FY 2011 reports prepared by Y-12 management revealed that Y-12 had met the targets of Executive Order 13514 by diverting 58 percent of its construction and demolition debris and 50 percent of its non-hazardous solid waste from the landfill. Further, Y-12 took action to increase its current waste diversion activities. In particular, Y-12 emphasized adding at least one new recycling stream to the recycling program each year. Although it had realized significant accomplishments, we found that Y-12 was facing challenges such as budget limitations and Department restrictions on the recycling of certain scrap metals.

■ While the Program had significant accomplishments, we found that Y-12 was facing challenges that may limit Program expansion. In particular, Program officials told us that several complex-wide activities and initiatives remain on hold due to budget reductions. In addition, we found that Y-12's scrap metal recycling had been impacted by the Department's July 2000 suspension on the release of scrap metal from posted radiological areas. In FY 2011, for example, Y-12 had disposed of rather than recycled over 1,800 metric tons of policy-encumbered scrap metal, according to Program officials. Although the suspension remains in effect, the Department has recognized that disposal of scrap metal as waste is contradictory to Departmental waste minimization and pollution prevention efforts, and is currently working to address the matter.

■ Despite the challenges it faces, Y-12's recent efforts to reduce, reuse and recycle waste materials resulted in a large percentage of materials being diverted from the landfill. Accordingly, no formal recommendations are being made in this report.

Team Leader:
AIC:
Staff:

(b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

(b)(6)

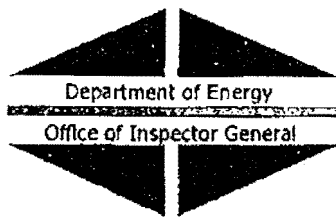
☛ Congratulations to Marc Santana of the Technology Audit Group (Pittsburgh) and his wife [REDACTED] on the birth of their (b)(6)

(b)(6)

Marc, baby (b)(6) are all doing well.

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Weekly Activity Report
Office of Audits and Inspections

Ending August 3, 2012

FINAL REPORTS ISSUED THIS WEEK:

Final Report on Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC under Department of Energy Contract No. DE-AC07-05ID14517 during Fiscal Year 2010 (OAS-V-12-09, August 1, 2012)

- The Since 2005, Battelle Energy Alliance, LLC (Battelle) has managed and operated the Idaho National Laboratory (INL) under contract with the Department of Energy (Department). The INL is part of the Department's Office of Nuclear Energy and has a mission to ensure the nation's energy security with sustainable energy systems and unique homeland security capabilities. The laboratory is managed under a 10-year contract valued at \$4.8 billion, of which Battelle expended and claimed \$991,440,646.34 for Fiscal Year (FY) 2010. To help ensure that audit coverage of cost allowability was adequate for FY 2010, the objectives of our audit were to determine whether: Internal Audit conducted a cost allowability audit that complied with professional standards and could be relied upon; Battelle conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and, Questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews have been adequately resolved.
- Based on our audit, nothing came to our attention to indicate that the allowable cost related audit work performed by Battelle's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with Battelle's cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing. We observed that Battelle's Internal Audit had identified \$852,387 in questioned costs, which have been resolved or reimbursement has been made to the Department. We identified no other prior audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for FY 2010. However, we found that Battelle did not provide sufficient audit coverage of its cost reimbursable subcontracts.
- Battelle did not perform post-award cost incurred audits for \$10.4 million incurred on 17 cost reimbursable subcontracts in FY 2010. Battelle's prime contract incorporated DEAR Clauses 970.5232-3 and 970.5244-1 that required Battelle to provide for periodic audits of subcontracts where costs incurred are a factor in determining the amount payable. In discussing this issue with Battelle's Procurement Services (Procurement), we were told that Battelle plans audits of 3 of the 17 subcontracts after they have closed using the Defense Contract Audit Agency (DCAA).
- Battelle had not ensured that subcontracts were periodically audited because it had not developed a procedure to meet its contractual obligation to provide audit coverage of subcontracts. According to Battelle's Internal Audit Implementation Design Plan, Procurement was required to provide for periodic post-award audits of cost reimbursable

subcontracts. However, neither the Internal Audit Implementation Design Plan nor Procurement had a process to ensure that all cost reimbursable subcontracts received the required audit coverage. Battelle had also not established a dollar threshold or other risk-based criteria for determining when subcontracts were subject to periodic audit. As a result, the Department lacks assurance that only allowable costs under the subcontracts are being reimbursed. Therefore, we consider the \$10.4 million as unresolved costs pending audit.

- We recommend that the Manager, Idaho Operations Office, direct Battelle to: 1. Develop, document and implement a risk based procedure for providing audit coverage to cost reimbursable subcontracts; 2. Apply the risk based procedure to select for audit a sample of cost reimbursable subcontracts with costs incurred in FY 2010; and, 3. Ensure that the cost reimbursable subcontracts identified by the risk assessment receive the appropriate level of audit coverage in the future. Management concurred with the recommendations and stated they would direct Battelle accordingly.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report on *Southwestern Federal Power System's Fiscal Year 2010 Financial Statement Audit*, (OAS-FS-12-10, July 30, 2012)

- The attached report present the results of the independent certified public accountants' audit of the Southwestern Federal Power System's (SWFPS) combined balance sheets, as of September 30, 2010 and 2009, and the related combined statements of revenues and expenses, changes in net Federal investment and cash flows.
- KPMG, LLP (KPMG) concluded that the combined financial statements fairly present, in all material respects, the respective financial position of the Southwestern Federal Power System as of September 30, 2010 and 2009, and the

results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles.

- As part of this review, the auditors also considered SWFPS's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit identified the following deficiencies in internal control over financial reporting, as reported in the Independent Auditor's Report on Internal Control over Financial Reporting based on the Southwestern Federal Power System's Fiscal Year 2006, 2007, 2008 and 2009 Financial Statement Audits, which were considered to be material weaknesses:

- Four internal control deficiencies were identified over accounting for utility plant, each of which were considered to be significant. When combined together, these four conditions were considered a material weakness.
- Five internal control deficiencies were identified over Accounting Policies and Procedures, each of which were considered to be significant. When combined together, these five conditions were considered a material weakness.

- U.S. Army Corps of Engineers and Southwestern Power Administration management agreed with the findings and recommendations that pertained to them and agreed to take the necessary corrective actions.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

An entrance conference was held on Tuesday, July 31, 2012 regarding the *Audit of Lawrence Livermore National Laboratory's Use of Time and Material Subcontracts*. The objective of the audit is to determine if Livermore procured services through time and materials subcontracts in the most effective and efficient manner. In attendance were representatives from the Office of Inspector General, the National Nuclear Security Administration's Albuquerque Complex, Livermore Site Office and Livermore's contractor.

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

2012 Information System Security Awareness Training must be completed by August 24, 2012.

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

The Central Audits Division's Denver Office is pleased to announce the addition of Jude Suh, Auditor, to the Audit Team. Mr. Suh's starting date at the Denver Office was Monday, July 30, 2012. Jude comes to us from the State of New Mexico's Department of Taxation and Revenue, where he was an Auditor for the past three years. Mr. Suh received his Bachelor's Degree in Accounting and Finance in 2001 from the University of Buca in Cameroon, Africa. In 2008, Mr. Suh also received a Master's Degree in Business Administration from New Mexico Highlands University. Jude speaks fluent French Creole, Chinese, and a variety of African languages. Mr. Suh is married and has (b)(6)

His interests include traveling, soccer, and playing and watching basketball. Please join us in welcoming Mr. Suh to the Central Audits Division/Office of Inspector General family.

JOYS, CARES, CONCERNS:

Distribution:

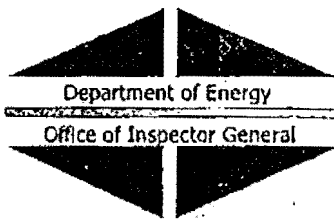
Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections

Director for Planning, Administration & Quality Assurance

Division Directors

Assistant Division Directors

Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending August 17, 2012

FINAL REPORTS ISSUED THIS WEEK:

Final Report on Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC under Department of Energy Contract No. DE-AC07-05ID14517 during Fiscal Year 2010 (OAS-V-12-09, August 1, 2012)

- The Since 2005, Battelle Energy Alliance, LLC (Battelle) has managed and operated the Idaho National Laboratory (INL) under contract with the Department of Energy (Department). The INL is part of the Department's Office of Nuclear Energy and has a mission to ensure the nation's energy security with sustainable energy systems and unique homeland security capabilities. The laboratory is managed under a 10-year contract valued at \$4.8 billion, of which Battelle expended and claimed \$991,440,646.34 for Fiscal Year (FY) 2010. To help ensure that audit coverage of cost allowability was adequate for FY 2010, the objectives of our audit were to determine whether: Internal Audit conducted a cost allowability audit that complied with professional standards and could be relied upon; Battelle conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and, Questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews have been adequately resolved.
- Based on our audit, nothing came to our attention to indicate that the allowable cost related audit work performed by Battelle's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with Battelle's cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing. We observed that Battelle's Internal Audit had identified \$852,387 in questioned costs, which have been resolved or reimbursement has been made to the Department. We identified no other prior audits or reviews that reported questioned costs or internal control weaknesses impacting the allowability of costs claimed for FY 2010. However, we found that Battelle did not provide sufficient audit coverage of its cost reimbursable subcontracts.
- Battelle did not perform post-award cost incurred audits for \$10.4 million incurred on 17 cost reimbursable subcontracts in FY 2010. Battelle's prime contract incorporated DEAR Clauses 970.5232-3 and 970.5244-1 that required Battelle to provide for periodic audits of subcontracts where costs incurred are a factor in determining the amount payable. In discussing this issue with Battelle's Procurement Services (Procurement), we were told that Battelle plans audits of 3 of the 17 subcontracts after they have closed using the Defense Contract Audit Agency (DCAA).
- Battelle had not ensured that subcontracts were periodically audited because it had not developed a procedure to meet its contractual obligation to provide audit coverage of subcontracts. According to Battelle's Internal Audit Implementation Design Plan, Procurement was required to provide for periodic post-award audits of cost reimbursable subcontracts. However, neither the Internal Audit Implementation Design Plan nor

Procurement had a process to ensure that all cost reimbursable subcontracts received the required audit coverage. Battelle had also not established a dollar threshold or other risk-based criteria for determining when subcontracts were subject to periodic audit. As a result, the Department lacks assurance that only allowable costs under the subcontracts are being reimbursed. Therefore, we consider the \$10.4 million as unresolved costs pending audit.

- We recommend that the Manager, Idaho Operations Office, direct Battelle to: 1. Develop, document and implement a risk based procedure for providing audit coverage to cost reimbursable subcontracts; 2. Apply the risk based procedure to select for audit a sample of cost reimbursable subcontracts with costs incurred in FY 2010; and, 3. Ensure that the cost reimbursable subcontracts identified by the risk assessment receive the appropriate level of audit coverage in the future. Management concurred with the recommendations and stated they would direct Battelle accordingly.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Management Alert on *The 2020 Vision One System Proposal for Commissioning and Startup of the Waste Treatment and Immobilization Plant* (A12RL016, August 6, 2012)

- The Department of Energy (Department) is considering implementing a phased approach to commissioning the \$12.2 billion Waste Treatment and Immobilization Plant (WTP) by making the Low-Activity Waste (LAW) facility operational approximately 15 months before commissioning the remainder of the project. Although the implementation of the phased approach offers potential benefits, early operation of the LAW facility presents significant cost, technological and permitting risks that could adversely affect the overall success of the River Protection Project's (RPP) mission of retrieving and treating Hanford's tank waste in the WTP and closing the tank farms to protect the Columbia River. Despite identified challenges, the Department had not developed a detailed analysis of the costs, benefits and risks of the proposal even after such steps were recommended by two independent review teams. Department officials told us that they completed a high level business analysis of certain WTP costs. However, our review found that this effort did not include a cost analysis with sufficient detail to satisfy the recommendations in the external review reports.
- Although it had not made a final decision regarding implementation, the Department instructed its contractor to include a phased waste delivery strategy as part of the ongoing effort to develop a revised baseline for the WTP project. During the phased delivery of waste to the WTP, the Department plans to refine the Waste Acceptance Criteria (WAC)

for the Plant from one that can accept simple waste to one that that can accept more complex waste. The WAC defines the physical and chemical properties that the waste must meet before it can be transferred to WTP. Due to issues associated with waste characterization and feed certification, the WAC has not been finalized at this time. The Department had initially required a baseline change proposal by August 2012. However, because of recently identified technical concerns, the Department has delayed modification of the baseline until the tests to address these concerns have been completed. To this end, the Department has formed a high-level panel of experts to advise the Department on technical concerns related to the WTP's "black cells" where waste will undergo various pre-treatment processes. The panel's recommendations may impact alternatives under consideration for pre-treatment of waste. In light of the decision to modify the WTP baseline and the potential impact of implementing a phased approach, we concluded that the Department should develop a detailed business case that includes a comprehensive cost-analysis and risk assessment before making a formal decision to implement the approach. The recommended analyses should help ensure that no actions are taken that could inadvertently delay the successful completion of the WTP project.

- The 2020 Vision proposal, if it is successfully implemented, offers several cost and schedule benefits. However, implementation involves potentially significant project risks that, in our view, require additional analysis. Specifically:

- Not all costs associated with the proposal are included in existing estimates;
- Key technology attributes needed for the proposal may not be adequately developed to support operations; and,
- Modifying permits needed for the proposal may significantly delay implementation.

- While a substantial amount of planning has been done, it was our observation that the Department does not yet have all of the data necessary to make a fully informed decision on 2020 Vision. We were concerned that the Office of River Protection (ORP), the Departmental element directly responsible for the WTP, had not developed a detailed analysis of costs, benefits and risks for the proposal, even though such actions had been recommended by two independent review teams. Without comprehensive cost/benefit analyses, the Department might choose a course of action that could inadvertently have a negative impact on the RPP mission – a mission that is a critical component of the Department's overall environmental remediation strategy.

- We acknowledge that the 2020 Vision proposal is currently under consideration and does not reflect Departmental policy at this time. While no formal decision has been made on whether or not to proceed, we recommended that management develop a more detailed business case as recommended by both the Tank Waste Subcommittee and Construction Project Review reports; and, engage stakeholders, including Washington State officials, to ascertain their positions concerning issues such as permitting, commissioning and startup of WTP, proceeding with early treatment of LAW and other factors relevant to the 2020 Vision proposal.

Team Leader:
AIC:

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Draft Report on *The Department of Energy's Use of the Environmental Management Waste Management Facility at the Oak Ridge Reservation* (A11ET005; August 16, 2012)

- The Environmental Management Waste Management Facility (EMWMF) is an above-ground waste disposal facility designed to meet the requirements of the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). In 2011, a Department of Energy (Department) study of EMWMF, the *Environmental Management Waste Management Facility 2011 Capacity Assurance Remedial Action Report*, recognized that EMWMF's capacity was no longer sufficient to cover all known Oak Ridge Reservation CERCLA waste capacity demands. Because of the projected capacity deficit and its potential impact on cleanup at the Oak Ridge Reservation, we initiated this audit to determine whether the Oak Ridge Office (ORO) is effectively and efficiently using EMWMF for the disposal of waste being generated by operations at the Oak Ridge Reservation.
- We determined that ORO had not maximized its use of available capacity at EMWMF. Specifically, ORO permitted its contractors to send minimally contaminated waste to EMWMF that may have otherwise been acceptable for disposal in the sanitary landfill. For example:
 - Contractor officials told us that from Fiscal Years 2002 through 2011, they had disposed of 140,000 cubic yards of material (minimally contaminated waste plus required fill) at EMWMF that likely could have been disposed of in the sanitary landfill; and,
 - URS | CH2M Oak Ridge, LLC (UCOR) had also identified additional, similar material that is scheduled for future disposal in EMWMF. This minimally contaminated waste, when combined with the fill material, will needlessly consume as much as 100,000 cubic yards of EMWMF capacity.
- Absent specific ORO standards specifying acceptable disposal methods for minimally contaminated surface waste, ORO contractors chose to use a very conservative disposal approach. Maintaining this approach could ultimately utilize 11 percent of EMWMF's capacity and expend as much as \$14.4 million in unnecessary disposal costs on waste that could be disposed in the sanitary landfill. During the course of our audit, UCOR recognized the issues we discovered and implemented procedures to allow more waste to be disposed in the sanitary landfill. While this action is helpful, we believe that additional action is necessary to improve efficiency of waste disposal operations at the Oak Ridge Reservation and conserve EMWMF capacity.
- Accordingly, we made a series of recommendations we believe will reduce costs and conserve the limited capacity of EMWMF. Additionally, implementing this practice beyond the Oak Ridge Reservation could potentially save millions in Department-wide disposal costs.

Team Leader/ADD:
AIC:

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LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report on *Southwestern Federal Power System's Fiscal Year 2010 Financial Statement Audit*, (OAS-FS-12-10, July 30, 2012)

- The attached report present the results of the independent certified public accountants' audit of the Southwestern Federal Power System's (SWFPS) combined balance sheets, as of September 30, 2010 and 2009, and the related combined statements of revenues and expenses, changes in net Federal investment and cash flows.
- KPMG, L.L.P (KPMG) concluded that the combined financial statements fairly present, in all material respects, the respective financial position of the Southwestern Federal Power System as of September 30, 2010 and 2009, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles.
- As part of this review, the auditors also considered SWFPS's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit identified the following deficiencies in internal control over financial reporting, as reported in the Independent Auditor's Report on Internal Control over Financial Reporting based on the Southwestern Federal Power System's Fiscal Year 2006, 2007, 2008 and 2009 Financial Statement Audits, which were considered to be material weaknesses:
 - Four internal control deficiencies were identified over accounting for utility plant, each of which were considered to be significant. When combined together, these four conditions were considered a material weakness.
 - Five internal control deficiencies were identified over Accounting Policies and Procedures, each of which were considered to be significant. When combined together, these five conditions were considered a material weakness.
- U.S. Army Corps of Engineers and Southwestern Power Administration management agreed with the findings and recommendations that pertained to them and agreed to take the necessary corrective actions.

Technical Monitors: (b)(6)



OTHER AUDITS:

- An entrance conference to discuss the *Audit of the Modernization of the Department of Energy's Facility Contractors' Fleet Vehicles (A12GT051)* was held on August 8, 2012 with representatives from the Office of Management; the Office of Energy Efficiency and Renewable Energy; the Office of Science; the Office of Environmental Management; the Office of Fossil Energy; the Office of Nuclear Energy; the Office of the Chief Financial Officer; the Southwestern Power Administration; and, the National Nuclear Security Administration. The objective of the audit is to determine whether the Department's facility contractors are effectively and efficiently modernizing their vehicle fleets. In attendance from the Office of Inspector General were (b)(6) and

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RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- An entrance conference was held on Tuesday, July 31, 2012 regarding the *Audit of Lawrence Livermore National Laboratory's Use of Time and Material Subcontracts*. The objective of the audit is to determine if Livermore procured services through time and materials subcontracts in the most effective and efficient manner. In attendance were representatives from the Office of Inspector General, the National Nuclear Security Administration's Albuquerque Complex, Livermore Site Office and Livermore's contractor.
- On Friday, August 3, 2012, the Office of Inspections announced, *Alleged Nepotism and Waste of Money in the Office of Energy Efficiency and Renewable Energy (S12IS019)*. The objective of the inspection is to determine the facts and circumstances around allegations of nepotism and waste of money within the Office of Energy Efficiency and Renewable Energy. We will focus on determining an individual's involvement in the hiring process and whether they violated any rules and regulations.

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

2012 Information System Security Awareness Training must be completed by August 24, 2012.

ACTION ITEM REPORTS ATTACHED:

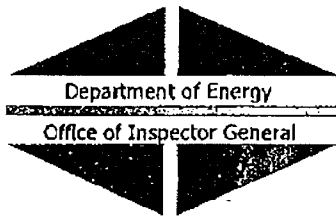
OTHER MATTERS:

The Central Audits Division's Denver Office is pleased to announce the addition of Jude Suh, Auditor, to the Audit Team. Mr. Suh's starting date at the Denver Office was Monday, July 30, 2012. Jude comes to us from the State of New Mexico's Department of Taxation and Revenue, where he was an Auditor for the past three years. Mr. Suh received his Bachelor's Degree in Accounting and Finance in 2001 from the University of Buea in Cameroon, Africa. In 2008, Mr. Suh also received a Master's Degree in Business Administration from New Mexico Highlands University. Jude speaks fluent French Creole, Chinese, and a variety of African languages. Mr. Suh is married and has (b)(6) His interests include traveling, soccer, and playing and watching basketball. Please join us in welcoming Mr. Suh to the Central Audits Division/Office of Inspector General family.

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending August 24, 2012

FINAL REPORTS ISSUED THIS WEEK:

Final Inspection Report on *Alleged Ethical and Procurement Concerns at the Office of Nuclear Energy* (INS-L-12-05, August 16, 2012)

- Approximately 80 percent of the Department of Energy's (Department) workforce is comprised of contractor personnel who provide services to assist with managing projects and programs. This type of environment can present unique situations that require special diligence from Department managers, requiring them to balance support needs with ensuring that applicable Federal regulations and procurement guidelines are followed. Generally, Federal employees are prohibited from becoming involved in contractor employee personnel matters such as hiring and terminating personnel, supervising contractor employees and assigning tasks to contractor employees that, by Federal regulation, can only be performed by Federal employees.
- The Office of Inspector General received a complaint alleging that a Department management official within the Office of Nuclear Energy (NE) may have violated Federal regulations and procurement guidelines regarding preferential treatment of a contractor employee, to include involvement in contractor hiring decisions relating to that employee. We initiated this inspection to determine the facts and circumstances surrounding the allegation.
- We did not substantiate the allegation that a NE manager violated Federal regulations and procurement guidelines involving contractor hiring decisions. While we found that the subject of the allegation had taken certain actions on behalf of a particular individual, the involvement did not appear to violate Federal regulations. In fact, the Department's Office of the General Counsel opined that the actions taken by the NE manager in question did not reach the level of violating Federal regulations or procurement guidelines.
- We did note, however, that the actions taken by the NE manager may have caused others to perceive that the manager improperly influenced the hiring decisions of the contractors involved. We also learned that the sort of involvement we identified in this case was not unique. Department procurement officials told us that involvement by program officials in contractor hiring decisions was not an uncommon practice. In addition, we previously identified similar issues in our report on *Review of Allegations Regarding Hiring and Contracting in the Office of Energy and Efficiency and Renewable Energy* (OAS-SR-10-04, September 2010). Specifically, the report addressed the issue of Federal officials directing contractors to hire specific contractor personnel and assign them to support contracts.
- Department Federal employees and contractor employees often work side by side on a daily basis. This type of environment presents unique situations that require special diligence from Department managers. Because the NE manager's actions could have

caused others to perceive that contractor hiring was improperly influenced, we believe continued vigilance in this area is warranted. In particular, we suggest that steps be taken to ensure strict compliance with recently published guidance on Federal officials' involvement in contractor hiring decisions.

Acting Team Leader:
Project Lead:

(b)(6)

Audit Report on *Tank Waste Feed Delivery System Readiness at the Hanford Site*,
(OAS-L-12-09, August 23, 2012)

- The Department of Energy's (Department) largest cleanup task involves the treatment, immobilization and disposal of 56 million gallons of hazardous and highly radioactive waste at the Hanford Site, located in Southeastern Washington State. As part of this effort, the Department is constructing the Waste Treatment and Immobilization Plant (WTP) to treat and immobilize the waste in preparation for permanent disposal in a geological repository. To support the operation of the WTP, the Department will need to complete a system to deliver waste to the WTP. As now conceived, the waste feed delivery system is a series of 30 discrete subprojects involving tasks such as waste retrieval; mixing/blending of waste types; characterization and analysis of waste properties; and, transferring of waste. Responsibility for the design, construction, and operation of the system, as well as operation of the tank farms where the waste is currently stored, has been contracted to Washington River Protection Solutions (WRPS). As part of the American Recovery and Reinvestment Act of 2009, the Department awarded WRPS approximately \$324 million to accelerate completion of WTP related infrastructure upgrades for the Hanford Site tank farms.
- Although portions of the waste feed delivery system are in place, much still needs to be installed. Portions of the existing system will also require upgrades before the system can support WTP startup and operations. Because of the Department's priority in cleaning up high level waste and the role of the WTP in accomplishing the cleanup mission, we initiated this audit to determine whether the Department will complete the waste feed delivery system in time to support WTP operations when it begins in 2019.
- The Department made progress in completing the waste feed delivery system to support operations of the Waste Treatment Plant (WTP). We found that the Department had completed a number of waste feed delivery subprojects earlier than planned and was on track to complete other critical path activities. We noted, however, that a number of challenges remain for completing the construction and operation of the waste feed delivery system. Specifically, the Waste Acceptance Criteria (WAC) that defines the specific WTP waste feed criteria and associated controls had not yet been finalized. Uncertainties with tank waste mixing and sampling could also impact the delivery of waste to the WTP. The Department was aware of these problems and told us that it had plans and strategies in place to mitigate the associated risks. The Department's ongoing actions to address risks with the WAC and tank waste feed and characterization are proactive. However, given the importance of treating, immobilizing and disposing of hazardous and highly radioactive waste, we made several suggestions to the Manager, Office of River Protection concerning areas that should be closely monitored

Team Leader:

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AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

*Draft Report on System Review Report on the U.S. Agency for International Development's
Office of Inspector General, Office of Audit (August 22, 2012, A12HQ025)*



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Team Manager:

AIC:

Staff:

Staff:

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Draft Report on *The Department of Energy's Small Business Innovation Research and Small Business Technology Transfer Programs* (August 24, 2012, A11RA035)

■ The Department of Energy's (Department) Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs award grants to encourage scientific effort leading to the application of new ideas and technology. The combined annual funding available for these two programs grew from \$116.8 million in Fiscal Year (FY) 2006 to \$175.5 million in FY 2012. In addition, the programs received \$92 million in American Recovery and Reinvestment Act of 2009 funding. The Office of Science's (Science) SBIR/STTR Office is responsible for managing funds from 12 of the 13 Department offices that contribute funds to the programs, with acquisition assistance from Science's Chicago Office.

■ In our previous report on SBIR grants, *Management Controls over Monitoring and Closeout of Small Business Innovation Research Phase II Grants* (OAS-M-08-09, July 2008), we pointed out that questioned costs had not been resolved and grants were not

closed out in a timely manner. Due to the issues identified in our prior audit and the growth of the programs in recent years, we initiated this audit to determine whether the Department had effectively managed the SBIR and STTR programs. Additionally, we reviewed circumstances surrounding an allegation involving a potential conflict of interest.

- We found that the Department had not always effectively managed the SBIR and STTR programs. Specifically, we identified problems with grant financial management and grant award scoring. We also substantiated an allegation that potential conflicts of interest had not been identified and properly mitigated. In the area of financial management we found that:

- Grant closeouts continued to be an issue. Since our 2008 audit, the number of SBIR grants awaiting closeout for more than 3 years had increased significantly, from 84 to 252. We also identified 12 STTR grants that had been awaiting closure for more than 3 years. The Department had not received final financial status reports for 156 of these grants, despite the Code of Federal Regulations (CFR) requirement that grantees submit the reports within 90 days of the completion of the grant term. We found no evidence that Chicago Office officials had attempted to contact 74 of these grantees to request closeout documents, even though its closeout procedures call for sending a letter requesting documents 15 days after the end of the award term; and,
- Questioned costs had not been resolved on a timely basis. Although the Chicago Office had resolved questioned costs identified in our prior audit, we found approximately \$840,000 in additional questioned costs identified by Defense Contract Audit Agency (DCAA) audits or internal desk reviews that had not been resolved. Chicago officials told us that these questioned costs could be resolved as late as during the closeout process. Some of these costs were identified as early as 2003.

- In addition to financial management concerns, we also identified program issues related to potential conflicts of interest and the award selection process.

- Specifically, we discovered:

- Two potential conflicts of interest. In the first instance, we substantiated an anonymous allegation that a topic manager had co-authored and jointly presented a journal publication with an applicant. Another conflict not mentioned in the complaint but discovered during our test work, involved a merit reviewer who was an employee of a subcontractor listed on the grant application. In both cases, the individuals had the ability to influence the selection of grantees. Although Department officials were not aware of either of the potential conflicts until we brought the issues to their attention, they agreed that there were appearances of potential conflicts of interest in both cases; and,
- A number of topic manager errors and deviations from scoring guidelines during the grant selection process. The errors and deviations however had no material effect on the selection of applications to be funded.

- To improve management of the SBIR/STTR programs, we made several recommendations in the areas of financial management and grant awards.

Team Leader:
AIC:
Staff:

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LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

- On Monday, August 13, 2012, the Office of Inspections briefed the staff of Representative Lamar Smith, 21st District, Texas, as well as staff from the House Armed Service Committee and the House Science and Technology Committee. The purpose of the briefing was to discuss the results of our review of allegations discussed in a January 24, 2012, letter from Representative Smith to the Office of Inspector General on behalf of a constituent Systems & Processes Engineering Corporation (SPEC), Austin, Texas. It was alleged that the Missile Defense Agency (MDA), in its use of support provided by Sandia National Laboratories (Sandia) to its Targets and Countermeasures Program, had facilitated a specific case of an Organizational Conflict of Interest (OCI) where Sandia marketed similar products successfully developed and demonstrated by SPEC after Sandia acted in the role of technical oversight of SPEC's work. Congressional staff members were informed that the Office of Inspections did not substantiate the allegations of an OCI and did not find that Sandia violated the restrictions on competition with the private sector found in Federal Acquisition Regulation 35.017, *Federally Funded Research and Development Centers*, and the Economy Act.

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- On Friday, August 3, 2012, the Office of Inspections announced its inspection on *Alleged Nepotism and Waste of Money in the Office of Energy Efficiency and Renewable Energy* (SI2IS019). The objective of the inspection is to determine the facts and circumstances around allegations of nepotism and waste of money within the Office of Energy Efficiency and Renewable Energy. The inspection includes a review of concerns raised on individual involvement in the hiring process, including any violations of rules and regulations.
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NO FURTHER ACTION LETTER ISSUED:

- On May 17, 2012, the Office of Inspections initiated an inspection to determine the Department's effectiveness in managing the facilities and infrastructure maintenance at Savannah River National Laboratory. In light of the recent Government Accountability Office findings and recommendations in GAO-12-645, *National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, no further actions are planned at this time.
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MANDATORY TRAINING:

2012 Information System Security Awareness Training must be completed by August 24, 2012.

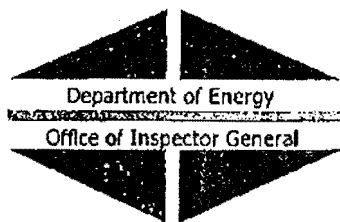
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending August 31, 2012

FINAL REPORTS ISSUED THIS WEEK:

Report on Audit Coverage of Cost Allowability for Jefferson Science Associates, LLC under Department of Energy Contract Number DE-AC05-06OR23177 during Fiscal Years 2006 – 2010 (OAS-V-12-10, August 24, 2012)

- Jefferson Science Associates, LLC (JSA) has managed and operated Thomas Jefferson National Accelerator Facility (Jefferson Lab) since 2006. Southeastern Universities Research Associates and Computer Sciences Corporation formed JSA to contract with the Department of Energy (Department). Jefferson Lab, part of the Department's Office of Science, performs basic research to discover the fundamental nature of nuclear matter. From June 2006 to September 2010, JSA had expended and claimed \$550,642,156.
- To help ensure only allowable costs are claimed by the Department's management and operating contractors and to make efficient use of available audit resources, the Office of Inspector General, the Department's Office of Procurement and Assistance Management, and contractors have implemented a Cooperative Audit Strategy. This strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Cooperative Audit Strategy, JSA is required by its contract to maintain an Internal Audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs. The Cooperative Audit Strategy also requires that audits performed internally must, at a minimum, meet the standards prescribed by the Institute of Internal Auditors (IIA Standards). In addition, JSA is required to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor.
- JSA's Internal Audit for Fiscal Year (FY) 2006 through FY 2009 did not always meet the IIA Standards for engagement planning, work paper documentation and supervision. Despite these deficiencies, we concluded that Internal Audit's cost allowability audit work for FY 2006 through FY 2009 could be relied on. We arrived at this conclusion because of the extensive transaction testing performed by Internal Audit, and the fact that our confirmatory test work did not identify any exceptions or problems with that work. No other issues or deficiencies came to our attention to indicate the allowable cost-related audit work performed by JSA's Internal Audit for FY 2010 did not meet IIA Standards and could not be relied on. In fact, we found that costs questioned in the allowable cost audits conducted by Internal Audit had been resolved.
- Further, JSA had a policy for audits of subcontractors when costs incurred were a factor in determining the amount payable. However, JSA utilized its quick closeout process to close out the few cost-type subcontracts it had because they did not exceed the dollar threshold for requiring an audit established under the Federal Acquisition

Regulations. Finally, none of the other audits or reviews we evaluated reported questioned costs or internal control weaknesses impacting the allowability of costs claimed during FY 2006 through FY 2010.

Team Leader:
AIC:

(b)(6)

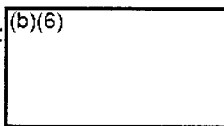
Special Report on Inquiry into the Procurement of Law Firm Services and Management of Law Firm-Disclosed Organizational Conflicts of Interest by the Department of Energy's Loan Programs Office (OAS-RA-12-14, August 28, 2012)

- The Department of Energy's (Department) Loan Programs Office was created to accelerate the domestic commercial deployment of innovative and advanced clean energy technologies by guaranteeing and providing loans to eligible recipients. The Loan Programs Office currently oversees over \$34 billion in loans to about 40 projects. From the outset of the loan programs, the Department concluded that it needed independent legal advisory services from private law firms to assist in its review of loan guarantee applications. In response to solicitations, the Department entered into Retainer Agreements with 10 firms. The Retainer Agreements and Federal regulations require law firms to disclose any actual or potential conflicts of interest. Recognizing that such conflicts were likely under the circumstances, the Department required law firms to complete a mitigation plan describing how actual or potential conflicts of interest would be avoided or mitigated. It also reserved the right to grant waivers when appropriate.
- We received anonymous complaints alleging various improprieties in the Loan Programs Office related to the procurement of legal services and the management of law firm-disclosed conflicts of interest in the Innovative Technology Loan Guarantee Program (Program). In response, we initiated a special inquiry to review the circumstances surrounding the allegations. Our inquiry did not substantiate the specific allegations outlined in the complaint. Absent additional information, we plan no further action regarding the original allegations.
- We did, however, identify opportunities to improve transparency over the Program's management of organizational conflict of interest waiver requests. Specifically, we noted that the Program had not deployed a tracking system for managing law firm waiver requests and had not documented, in an organized system of records, the rationale for denying or approving waiver requests. The issues observed parallel the findings in prior Loan Guarantee Program reviews. Specifically:
 - We found that the Program had not deployed a tracking system for the receipt, review and denial/approval of law firm waiver requests. Although the Program developed a standardized waiver request form, Program officials stated that the tracking of waivers was done only through emails. They also asserted that they believed their process complied with applicable procurement requirements and the Retainer Agreements; and,
 - Our inquiry also established that, in a number of cases, available records lacked sufficient information to permit an independent reviewer to understand the reasons for granting waivers of conflicts of interest. Prior to, or contemporaneous with, granting requested waivers, the Department had not

always memorialized key decision points, and therefore could not demonstrate, through systematically organized records, that its justifications for granting waivers for actual or potential conflicts of interest were appropriate. In response to our request for information supporting the decision-making processes, the Program could only provide emails that were retained on a Program official's computer.

- Given the taxpayer-provided funds at risk in the Loan Guarantee Program, the sensitivity of the Program, and its reliance on outside law firm legal advice free from conflicts and impairments, we concluded that the Department should ensure contemporaneous records clearly demonstrate the support and rationale for approving or denying conflict of interest waiver requests. We made several recommendations to address the issues in the report and the Loan Programs Office management concurred with recommendations and proposed corrective actions.

Team Leader: (b)(6)
Staff:



Special Report on Inquiry into the Security Breach at the National Nuclear Security Administration's Y-12 National Security Complex, (DOE/IG-0868, August 29, 2012)

- The Y-12 National Security Complex is one of four production facilities in the National Nuclear Security Administration's Nuclear Security Enterprise. The site focuses on the processing and storage of uranium, an activity essential to the safety, security, and effectiveness of the U.S. nuclear weapons stockpile. During the early morning hours of July 28, 2012, three individuals (hereinafter referred to as the trespassers), gained access to the area surrounding the Highly Enriched Uranium Materials Facility (HEUMF) at Y-12 and defaced the building without being interrupted by the security measures in place. In fact, the trespassers were not physically observed by the Y-12 Protective Force until after they had severed three separate fences surrounding the HEUMF. Because of the importance of ensuring the safe and secure storage of nuclear materials we commenced a special inquiry into the circumstances surrounding the Y-12 breach within days of the event.
- During our review, we conducted interviews with Federal and contractor officials, security personnel, and alarm station operators. We also reviewed supporting information pertinent to the sequence of events on the night of the breach. Based on these inquiries, we found that the Y-12 security incident represented multiple system failures on several levels. For example, we identified troubling displays of ineptitude in responding to alarms, failures to maintain critical security equipment, over reliance on compensatory measures, misunderstanding of security protocols, poor communications, and weaknesses in contract and resource management. Contractor governance and Federal oversight failed to identify and correct early indicators of these multiple system breakdowns. When combined, these issues directly contributed to an atmosphere in which the trespassers could gain access to the protected security area directly adjacent to one of the Nation's most critically important and highly secured weapons-related facilities.
- Following the incident, Y-12 and NNSA took a number of actions designed to improve security at the site. For example, Y-12 implemented features designed to help reduce false alarms. Also, NNSA moved the site Protective Force contract from Federal control

to the M&O contractor for Y-12. The site began installing additional fortifications around the HEUMF designed to further delay potential intruders. Finally, the NNSA issued a show cause letter to the M&O contractor directing it to provide information as to why its contract should not be terminated in response to the demonstrated security weaknesses. As previously noted, the site has also initiated and in many cases completed repairs of most critical security equipment. NNSA officials also indicated they are in the process of completing a formal root cause analysis of the intrusion, and an extensive security evaluation, including performance testing, is scheduled to be conducted in the near future to validate the efficacy of corrective actions taken.

- The successful intrusion at Y-12 raised serious questions about the overall security approach at the facility. It also suggested that current initiatives to reduce Federal oversight of the nuclear weapons complex, especially as they relate to security functions, need to be carefully considered. Some observers went so far as to express the view that there were security culture problems at Y-12 creating an environment in which the July 28 intrusion could occur. We made several recommendations that, if fully implemented, will correct security issues at the site.
- Management concurred with the report's recommendations and outlined a number of corrective actions it had initiated or completed.

Asst. Div. Director:
Team Leader:
Staff:

(b)(6)

Audit Report on *Opportunities for Energy Savings at Department of Energy Facilities*
(DOE/IG-0869, August 31, 2012)

- At its 47 major sites, the Department of Energy's (Department) energy costs for buildings subject to goal reporting totaled about \$277 million in Fiscal Year 2010. Because of the importance of reducing energy consumption, we initiated this audit to determine whether the Department had effectively identified and implemented energy-saving opportunities through facility evaluations and electricity metering.
- The Department had not always pursued readily available, low-cost energy-saving opportunities. Specifically:
 - Three of the five sites we reviewed (Brookhaven National Laboratory, Oak Ridge National Laboratory and Los Alamos National Laboratory) had not always identified or implemented low and no-cost, quick payback energy conservation measures discovered during facility evaluations. For example, Oak Ridge National Laboratory's 2009 facility evaluation identified conservation measures that could result in a payback within 2 months and an estimated annual savings of about \$77,000 for projects including utilizing variable speed drives on supply and exhaust air fans, installing temperature redistribution fans and repairing a steam trap. These measures, however, had not been implemented;

- Two of the five sites (Oak Ridge National Laboratory and the Y-12 National Security Complex) had not fully evaluated existing buildings to determine, among other things, whether building systems such as heating and lighting were operating as intended, despite specifically identified savings and recommendations to do so. For example, Oak Ridge National Laboratory had not fully implemented recommendations to optimize systems in 10 of 19 buildings (about 53 percent) assessed by a third-party evaluator during 2009; and,
- Further, we identified opportunities to improve energy conservation through the use of electricity metering data at two sites visited (Y-12 and Los Alamos). While Y-12 energy managers identified a number of meters that were not working properly, they overlooked other meters that were not functional. Additionally, Los Alamos had a significant number of electricity meters installed and used the metering data to generate mock electricity bills to illustrate quarterly energy consumption. However, it had not incentivized conservation by actually charging users based on their energy consumption.

- Effectively evaluating systems in existing buildings and using electricity metering data could significantly advance energy conservation and decrease energy costs. We conservatively estimated that the Department could save approximately \$6.6 million annually by applying these principles. We made several recommendations designed to assist the Department in this effort. Management concurred with our recommendations and provided actions that will be taken to address issues identified in our report.

Team Leader: (b)(6)
AIC:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- The Western Audits Division, Albuquerque Audit Group held an entrance conference on August 28, 2012 for the *Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed By and Reimbursed to Washington TRU Solutions, LLC, Under the Department of Energy Contract DE-AC29-01AL66444, for Fiscal Years 2008 and 2011*. The objective of the audit is to determine whether: (1) Internal Audit conducted cost allowability audits that complied with professional standards and could be relied upon; (2) the contractor conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and, (3) the questioned costs and internal control weaknesses impacting allowable costs identified in audits and reviews have been adequately resolved. Survey work will be conducted at the Department of Energy's Carlsbad Field Office, as well as the offices of Washington TRU Solutions, LLC.
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NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

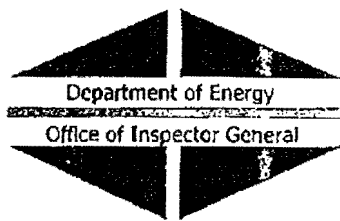
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

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Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending September 28, 2012

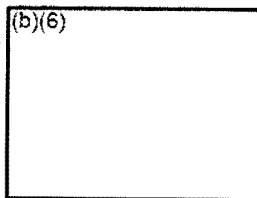
FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *"Follow-up Audit of the National Nuclear Security Administration's W76 Nuclear Warhead Refurbishment Program"* (DOE/IG-0870, September 26, 2012) (A10AL002)

- The Department of Energy's National Nuclear Security Administration (NNSA) is responsible for ensuring that the Nation's nuclear weapons stockpile continues to meet National defense requirements. As part of that effort, NNSA is refurbishing the aging W76 nuclear warhead with the goal of extending the warhead life by 30 years. However, the W76 Life Extension Program (LEP) has experienced significant delays in startup and in achieving production goals. By the end of Fiscal Year (FY) 2011, NNSA had completed less than half of the anticipated units due to technical production issues. Delays encountered thus far have significantly increased the risk that the W76 LEP and follow-on weapon refurbishments cannot be accomplished in time to meet commitments to the Department of Defense. In our 2006 report, *W76 Life Extension Project* (DOE/IG-0729, May 2006), the Office of Inspector General reported that NNSA was at risk of not achieving the first production unit for the W76 refurbishment by the end of FY 2007 within the established scope, schedule and cost parameters. Given the additional delays and the importance of the LEP, we initiated this follow-up audit to take a fresh look at the status of NNSA's W76 refurbishment program, focusing on NNSA's ability to reduce unit costs.
- NNSA may be unable to complete the W76 LEP within established scope, cost and schedule parameters, unless it adopts a more effective approach to reducing unit costs. This concern is exacerbated by the fact that the program is faced with a relatively flat budget over the next few years, even though its annual scope of work is projected to increase significantly. The program's budget increases for FY 2013 and FY 2014, for example, are projected to be only 2.9 percent in each year more than FY 2011 levels. The program's production schedule, however, shows production increasing 59 percent during the same period. The increase in production appears to be unsustainable given the projected funding.
- Based on the FY 2012 approved budget, NNSA may not realize the per unit cost savings necessary to complete the W76 LEP within established scope, cost and schedule parameters. To meet its scope and schedule commitments within a relatively flat budget, NNSA must reduce the annual cost per unit by 35 percent by FY 2014. However, NNSA weapons design and production facilities responsible for completing the LEP estimated that they can realize only a 25 percent cost per unit savings by FY 2014. Reducing costs below the projected levels may be difficult because many elements in the cost composition estimate are outside of NNSA's control. NNSA Stockpile Management officials expressed confidence that the program can achieve the increased production rates within the FY 2012 Congressional Budget Request estimates. Yet, program officials could not provide plans detailing the specific actions needed to achieve necessary cost reductions.

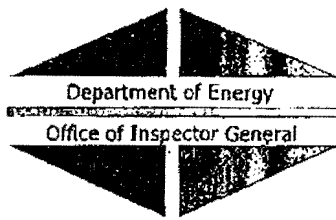
- Had NNSA made full use of available performance management tools, it might be in better position to measure the overall effectiveness of the W76 LEP. Program officials consider Earned Value Management Systems (EVMS) to be a best practice. NNSA used EVMS to measure each site's performance against current year budget authority and workload requirements. However, NNSA did not use EVMS to measure the overall performance of the W76 LEP. Although a program-wide EVMS has not yet been implemented, a W76 LEP official told us that NNSA plans to use EVMS at the program level in future years.
- Delays in completing the W76 LEP within planned scope, cost and schedule could have national security implications. If NNSA is unable to achieve the cost per unit reductions necessary to meet the W76 LEP's planned production requirements, it will require additional funding, a reduction in scope, or a delay in production. Delays in completing the W76 within schedule, for instance, could prevent NNSA from beginning full production of the B61 bomb refurbishment to meet existing United States' commitments.
- Given the current widespread calls for dramatic reductions in Federal spending, NNSA may be faced with future budget reductions. To assist NNSA in meeting its goals within available budgets, we recommend that the Administrator, NNSA ensure that the W76 LEP develops a forward-looking plan to reduce costs program-wide to meet planned production rates within budget, and implements and utilizes a program-wide EVMS that quantifies required scope, schedule and cost performance through the end of the program.
- Management agreed that additional adjustments to W76 plans will be required to maintain the Program within budget constraints. While it believed that it had the focus and necessary tools to ensure success of the W76 LEP, management agreed to develop a forward-looking plan to help meet W76 goals. Management stated that NNSA will tailor the EVMS methodology and implementation, which are primarily focused on construction activities, for application to weapons production activities. Management did take exception to the methodology we used to calculate unit cost but stated it will consider the audit's analysis and develop a plan based on the methodologies determined to be most appropriate.

Team Leader:
AIC:
Staff:



Assessment Report on "Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation, During October 1, 2010 through September 30, 2011, Under Department of Energy Contract No. DE-NR0000031" (OAS-V-12-11, September 27, 2012) (A12PT045)

- Since 2009, Bechtel Marine Propulsion Corporation (BMPC) has operated the Bettis Atomic Power Laboratory (BAPL) and the Knolls Atomic Power Laboratory (KAPL) under contract with the Department of Energy (Department). BMPC was established solely to operate the Naval Nuclear Propulsion Program, which is a joint Navy-Department program responsible for the research, design, construction, operation and maintenance of U.S. nuclear-powered warships. During the period of October 1, 2010 through September 30, 2011, BMPC expended and claimed \$834,579,325.30.



Weekly Activity Report Office of Audits and Inspections

Ending October 26, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *Management of Western Area Power Administration's Cyber Security Program* (DOE/IG-0873, October 22, 2012)

- We initiated this follow-up audit to determine whether the Western Area Power Administration (Western) effectively and efficiently implemented its cyber security program.
- Western had made a number of enhancements to its cyber security program since our review of *Cyber Security Risk Management Practices at the Southeastern, Southwestern and Western Area Power Administrations* (DOE/IG-0805, November 2008). For instance, Western officials commented that they enhanced control testing through regular Security Test and Evaluation reviews and automated security scanning. However, our current review identified several cyber security related weaknesses that could negatively impact Western's information security posture. Specifically, we found that Western had not always implemented cyber security controls designed to address known system vulnerabilities and deployed access controls designed to protect its information systems and data. We also identified weaknesses related to controlling user access for two of the four systems reviewed.
- The weaknesses identified occurred, in part, because Western had not always implemented policies and procedures related to vulnerability and patch management. Specifically, while cyber security officials conducted regular scans on two of the systems reviewed, they did not always identify and correct known vulnerabilities. For instance, the external vulnerability we discovered during testing was likely not identified because Western's scan profiles were configured to run a less intrusive scan than typical to avoid negatively impacting system performance. In addition, officials had not fully implemented policies and procedures related to managing access to systems and information, including deactivating and/or disabling unneeded user accounts in a timely manner. Implementation of controls such as those included in our testwork is an important element of an effective risk management and continuous monitoring process.
- Management concurred with the report's recommendations and indicated that it had, in some cases, already completed actions to address specific weaknesses identified in our report. In other instances management commented that it was in the process of implementing program improvements to address our recommendations. However, until these vulnerabilities are fully remediated and control procedures are in place to ensure that applications and programs are updated in a timely manner, Western's systems remain, in our view, at a higher than necessary level of risk of attack.

Team Leader:
AIC:
Staff:

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Special Report on *Review of the Compromise of Security Test Materials at the Y-12 National Security Complex* (DOE/IG-0875, October 26, 2012)

- Following the July 28, 2012, security breach at the Y-12 National Security Complex (Y-12), the Department of Energy's (Department) Office of Health, Safety and Security (HSS) was tasked with conducting a comprehensive inspection of the site's security organization. The inspection, initiated on August 27, 2012, included both practical exercises and tests designed to evaluate the knowledge, skills and abilities of the site's Protective Force. At approximately 11:00 pm on the night of August 29, 2012, while conducting performance testing, an HSS inspector discovered a copy of what he identified to be a security knowledge test in the patrol vehicle of a WSI-Oak Ridge (WSI-OR) Protective Force official who was escorting him. In our continued monitoring of the situation, the Office of Inspector General initiated a special review into alleged compromise of the HSS inspection.
- Our inquiry confirmed that the security knowledge test, including answers to the test questions, had been compromised and that it had been distributed in advance of the test to numerous WSI-OR Captains, Lieutenants, and Security Police Officers (SPO), the very people whose knowledge was to have been evaluated as part of this process. WSI-OR personnel testified uniformly that there was no intent to cheat on the HSS inspection. While we had no direct evidence to the contrary, we found the credibility of this testimony to be questionable, especially in light of a number of actions that we identified related to the transmission, review and distribution of the test that, at best, demonstrated a lack of due care and negligence. The failure to properly safeguard the test prior to its administration, especially given the intense focus on Y-12 and the security concerns at the site, was, in our opinion, inexplicable and inexcusable.
- While we do not believe that they excuse actions taken in this case, we observed several opportunities to improve the integrity and transparency of the knowledge testing process. Although the Federal official who initially distributed the test took action to protect its contents by encrypting the email used to transmit it and sending it only to "Trusted Agents," the email did not contain specific instructions for protecting the test against compromise. The lack of detailed instructions is particularly relevant in that the Department Order regarding the designation of "Trusted Agents" does not specifically mention that the practice is also applicable to security knowledge tests.
- As with the recent intrusion at the Highly Enriched Uranium Materials Facility described in our Special Report on *Inquiry into the Security Breach at the National Nuclear Security Administration's Y-12 National Security Complex* (DOE/IG-0868, August 2012), problems with the administration of the National Nuclear Security Administration's contractor governance system appeared to have had a role in the compromise of the test materials at Y-12, certainly, the assurance system did not prevent the compromise.
- NNSA did not agree that its implementation of the governance process was a contributory cause of the knowledge test compromise. Rather, management concluded that the compromise was caused by abuse of the Trusted Agent concept by a contractor official. We recognize that there was a breakdown of controls at the contractor level regarding the Trusted Agent concept. However, our analysis also led us to conclude that there was a more fundamental issue involving the lack of in-depth security knowledge and involvement of Federal oversight officials. This issue directly contributed, in our opinion, to the environment that necessitated placing the testing materials in the hands of the contractor in the first place. Management agreed to work with HSS to implement our recommendations regarding the integrity of security testing at all sites. IISS management

Team Leader:
AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- ☞ An entrance conference was held on Tuesday, October 24, 2012 for the *Audit of the National Nuclear Security Administration's Management of the Nuclear Materials Safeguards and Security Upgrades Project at Los Alamos National Laboratory*. The objective of the audit is to determine whether the National Nuclear Security Administration (NNSA) is effectively and efficiently managing the Nuclear Materials Safeguards and Security Upgrades Project at the Los Alamos National Laboratory. In attendance were representatives from the Office of Inspector General, NNSA's Headquarters and Albuquerque Complex, the Los Alamos Site Office and Los Alamos National Laboratory.

Team Leader:
AIC:

(b)(6)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

☒ 2012 Privacy Awareness Course must be completed by November 14, 2012.

ACTION ITEM REPORTS ATTACHED:

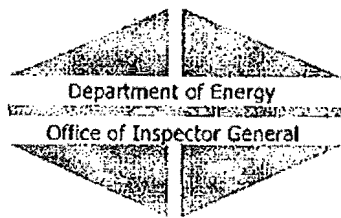
OTHER MATTERS:

JOYS, CARES, CONCERNS:

☒ Congratulations to Oliver Wong of the Livermore Audit Group and his wife (b)(6) on the birth of their (b)(6).
(b)(6) All are doing well.

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending November 9, 2012

FINAL REPORTS ISSUED THIS WEEK:

Inspection Report on *Allegations of Organizational Conflicts of Interest at Portsmouth and Oak Ridge* (INS-O-13-01, November 05, 2012)

- We initiated this inspection to examine the facts and circumstances surrounding allegations of organizational conflicts of interest (OCI) at the Portsmouth Gaseous Diffusion Plant (Portsmouth) and Oak Ridge Reservation (Oak Ridge).
- The Decommission Decontamination (D&D) work at the Portsmouth in Piketon, Ohio, and the Oak Ridge Reservation in Oak Ridge, Tennessee, was projected to cost \$4.3 billion and take 5 years to complete. In awarding contracts, the Department of Energy is required to ensure that contractors are free of impairments such as OCI. Contractors have a responsibility to avoid, neutralize and mitigate such conflicts.
- We substantiated the allegations, in large measure, that OCI issues existed at Portsmouth and Oak Ridge. Our inspection disclosed that OCI issues either had not been properly mitigated or identified by Federal or contractor officials. Specifically, we discovered that:
 - OCI existed between Restoration Services, Inc. (RSI) and VETCO, LLC- Technical Services Company (VETCO) at Portsmouth. RSI, the Environmental Technical Services contractor for Portsmouth, was charged with overseeing work performed by Fluor-B&W Portsmouth LLC (Fluor) and its subcontractor, VETCO. We found that RSI's objectivity could have been impaired because RSI held an on-going financial interest in VETCO;
 - The same financial interest held by RSI in VETCO also existed at Oak Ridge. Both RSI and VETCO were subcontractors for URS | CH2M Hill Oak Ridge, LLC, (UCOR). Also, as indicated with Portsmouth, an RSI official was charged with reviewing and approving VETCO's work; and,
 - A separate, potential OCI between UCOR and RSI existed at Oak Ridge. Specifically, as part of a contractor teaming arrangement with UCOR, a senior RSI official, acting on behalf of UCOR, was in a position to review and approve work performed by the senior official's employer, RSI.
- The issues we identified occurred because Federal officials did not ensure that contractors completed required mitigation efforts, and fully appreciate the potential impact of assigning employees across company boundaries during teaming arrangements. While a contracting officer for the Portsmouth Paducah Project Office identified the OCI between RSI and VETCO at the time of contract award, officials did not follow-up to ensure that a divestiture agreed upon as part of a mitigation plan was actually completed.

- ☒ With regard to the teaming arrangement at Oak Ridge, Federal officials initially told us they did not believe that the appearance of OCI existed until we pointed out that based on the team arrangement, the senior RSI official, acting on behalf of UCOR, approved work performed by the senior official's employer. Responsible Portsmouth and Oak Ridge contracting officers and Office of the Chief Counsel officials commented that the OCI training they received was a minor segment of broader training and was not dedicated to handling OCI. As a result, the lack of familiarity with OCI could have contributed to the issues we identified.
- ☒ Although we could not establish a direct causal relationship, we also noted a lack of formal guidance on OCI also may have contributed to the OCI issues at Portsmouth and Oak Ridge. Notably, on June 21, 1996, Headquarters officials cancelled Department Order 4220.4, *Organizational Conflict of Interest Processing Procedures*. Officials from the Office of Acquisition and Project Management informed us that the Department did not intend to issue a new directive regarding OCI until a change to the Federal Acquisition Regulation, which is now under consideration, is finalized.
- ☒ An effective process to identify, avoid or mitigate potential OCI is essential for agencies like the Department that rely heavily on contractor support. During the course of our inspection, Federal officials at both Portsmouth and Oak Ridge took specific corrective actions to mitigate the OCI issues identified in this report. Specifically, the officials took steps to ensure that the OCI between RSI and VETCO was mitigated and then prepared written OCI determinations addressing the mitigation plan from UCOR.
- ☒ Management concurred with the recommendations in the report. Specifically, corrective actions will be taken pending finalization of the Notice of Proposed Rulemaking that will substantially re-write the Government-wide regulatory coverage of OCI in the Federal Acquisition Regulation. The Director, Office of Acquisition and Project Management, anticipates completing the implementation of these two recommendations within a year of publication of the final rulemaking. Officials from Portsmouth Project Program Office and Oak Ridge Office (ORO) indicated that they will follow the Government-wide guidance and the guidance received from the Office of Acquisition and Project Management, once finalized.
- ☒ ORO management; however, did not agree that the OCI issues were substantiated at Oak Ridge. Specifically, management officials did not agree that the appearance of OCI identified in the report was either a potential or actual OCI. For the reasons outlined in our report, we continue to believe that the business arrangements we identified constituted a potential and actual OCI. Notably, management officials from the companies involved acknowledged that there could be appearance problems. Those officials subsequently prepared OCI mitigation plans to address the issues identified. ORO management accepted and approved those plans but stated that by accepting the plans they were not agreeing that either a potential or actual OCI existed.

Team Leader:
Project Lead:
Inspector:

(b)(6)

■ The Department of Energy's Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs award grants to encourage scientific effort leading to the application of new ideas and technology. The combined annual funding available for these two programs grew from \$116.8 million in Fiscal Year (FY) 2006 to \$175.5 million in FY 2012. In addition, the programs received \$92 million in American Recovery and Reinvestment Act of 2009 funding.

■ In our previous report on SBIR grants, *Management Controls over Monitoring and Closeout of Small Business Innovation Research Phase II Grants* (OAS-M-08-09, July 2008), we pointed out that there had been no resolution of questioned costs associated with the grants and that the grants had not been closed out in a timely manner. We initiated this audit to determine whether the Department had effectively managed the SBIR and STTR programs. Additionally, we reviewed circumstances surrounding an allegation involving a potential conflict of interest.

■ We found that the Department had not always effectively managed the SBIR and STTR programs. Specifically, we identified problems with grant financial management and grant award scoring. We also substantiated an allegation that potential conflicts of interest had not been identified and properly mitigated. In the area of financial management, we found that:

■ Grant closeouts continued to be an issue. Since our 2008 audit, the number of SBIR grants awaiting closeout for more than 3 years had increased significantly, from 84 to 252. We also identified 12 STTR grants that had been awaiting closure for more than 3 years. The Department had not received final financial status reports for 156 of these grants, despite the Code of Federal Regulations (CFR) requirement that grantees submit the reports within 90 days of the completion of the grant term. We found no evidence that Chicago Office officials had attempted to contact half of these grantees to request closeout documents, even though its closeout procedures called for sending a letter requesting documents 15 days after the end of the award term; and,

■ The Department had not fully addressed prior concerns regarding questioned costs. Although the Chicago Office had resolved questioned costs identified in our prior audit, we found approximately \$840,000 in additional questioned costs identified by Defense Contract Audit Agency audits or internal desk reviews that had not been resolved. Chicago Office officials told us that it was their position that these questioned costs could be resolved as late as during the closeout process. Yet, we found that some of these costs were identified as early as 2003.

■ During our audit, we also identified an additional \$534,000 in erroneous and unsupported costs involving bid and proposal costs, costs not allocable to the grant, excess labor charges not in compliance with Federal cost principles, and costs that lacked documentation.

■ In addition to financial management concerns, we identified program issues related to potential conflicts of interest and the award selection process. Specifically, we discovered:

- Two potential conflicts of interest. In the first instance, we substantiated an anonymous allegation that a topic manager responsible for reviewing and consolidating merit review scores of grant applications had co-authored, and jointly presented, a journal publication with an applicant;

- In another conflict discovered during our test work, we found that an individual responsible for reviewing grant applications for merit, a "merit reviewer," was an employee of a subcontractor listed on the grant application. In both cases, the individuals had the ability to influence the selection of grantees. Although Department officials were not aware of either of the potential conflicts until we brought the issues to their attention, they agreed that there were appearances of conflicts of interest in both cases; and,
 - A number of errors and deviations from scoring guidelines during the grant selection process. The errors and deviations, however, had no material effect on the selection of applications to be funded.
- ☛ To improve the SBIR/STTR programs, we made several recommendations in the areas of financial management and grant awards. Management generally concurred with our recommendations and provided actions that will be taken to address issues identified in our report.

Team Leader:
AIC:
Staff:

(b)(6)

Audit Report on *The Department's Unclassified Cyber Security Program - 2012* (DOE/IG-0877, November 8, 2012)

- ☛ The *Federal Information Security Management Act of 2002* (FISMA) established requirements for all Federal agencies to develop and implement agency-wide information security programs. In addition, FISMA directed Federal agencies to provide appropriate levels of security for the information and systems that support the operations and assets of the agency, including those managed by another agency or contractors. As required by FISMA, we conducted an independent evaluation to determine whether the Department of Energy's (Department) unclassified cyber security program adequately protected its data and information systems.
- ☛ The Department had taken steps over the past year to address previously identified cyber security weaknesses and enhance its unclassified cyber security program. Specifically, the Department and the National Nuclear Security Administration (NNSA) took corrective actions to address 40 of 56 weaknesses identified during our prior year evaluation. In addition, the Department initiated a transition to a more risk-based approach to securing its resources, including efforts to enhance continuous monitoring.
- ☛ Further, in 2012, the overall number of identified vulnerabilities decreased to 38. While this is a positive trend, our current evaluation found that the types and severity of weaknesses continued to persist and remained consistent with prior years. The composition of the 38 weaknesses included 16 previously identified weaknesses that remained uncorrected (including 4 from Fiscal Year (FY) 2010) and an additional 22 cyber security weaknesses identified during our FY 2012 evaluation. These weaknesses involved problems with access controls, vulnerability management, integrity of web applications, planning for continuity of operations and change control management.
- ☛ The weaknesses identified occurred, in part, because Department elements had not ensured that cyber security requirements were fully developed and implemented. In

addition, programs and sites had not always effectively monitored performance to ensure that appropriate controls were in place. For example, we noted Plans of Action and Milestones (POA&Ms) were not always effectively used to report, prioritize and track cyber security weaknesses through remediation.

- Without improvements to its unclassified cyber security program, including implementation of effective continuous monitoring practices and adopting processes to ensure security controls are in place and operating as intended, there is an increased risk of compromise and/or loss, modification and non-availability of the Department's systems and the information.

- The Department concurred with the findings and recommendations and agreed to take necessary corrective actions.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Examination Report on *The Department of Energy's American Recovery and Reinvestment Act of 2009 Energy Efficiency and Conservation Block Grant Program – Efficiency Maine Trust* (OAS-RA-13-04, November 8, 2012)

- This report presents the results of an examination of the Efficiency Maine Trust's (Trust) implementation of the American Recovery and Reinvestment Act of 2009 Energy Efficiency and Conservation Block Grant (EECBG) Program. The Office of Inspector General contracted with an independent certified public accounting firm, Otis and Associates, PC, to express an opinion on the compliance with Federal and State laws, regulations and program guidelines applicable to the EECBG Program. The Trust is responsible for operating the State of Maine's energy efficiency and alternative energy programs, and for administering the State of Maine's EECBG funding.
- The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received about \$3.2 billion to assist in implementing strategies to reduce fossil fuel emissions, decrease total energy use of local governments, improve energy efficiency and create jobs. The Trust received about \$9.6 million that was allocated as block grants to units of local government and competitive grants that support vital energy efficiency projects.
- Otis and Associates, PC, expressed the opinion that except for the weakness described in its report, the Trust complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period November 13, 2009 through December 31, 2011. However, the examination found that the Trust lacked adequate records to support grant related expenditures by subgrantees. As a result, Otis and Associates, PC, questioned about \$560,000 in costs associated with the expenditures identified in the review.

☒ The report makes recommendations to the Trust to improve its administration of its EECBG funds. In response to the report, officials stated the Trust plans to work with the Department of Energy (Department) to resolve the amounts questioned during the audit. Officials also indicated they will continue to support the municipalities' efforts to provide the documentation needed to complete the files. Otis and Associates, PC, considered the Trust's response to be adequate.

☒ Department officials concurred with the recommendations outlined in this memorandum. Department officials stated they are working with the Trust to verify that all paperwork from the sub-grantees identified is complete and made additional training and best practices available to the Trust. Further, officials stated they will work with the Trust to ensure the collection of all documentation necessary to verify expenditures questioned during the audit and will verify steps the Trust has taken to institute procedures to audit a sampling of subrecipient files for proper documentation related to both invoices and proof of payment.

Team Leaders: (b)(6)

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Audit Report on *Department of Energy's Smart Grid Demonstration Program Funded through the American Recovery and Reinvestment Act of 2009* (A11RA016)

- ☒ The Department of Energy's Office of Electricity Delivery and Energy Reliability received about \$4.5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to enhance the reliability and resilience of the Nation's power grid, or nearly 33 times the amount appropriated in Fiscal Year 2009. Of the amount awarded, the Department of Energy (Department) allocated nearly \$700 million to the Smart Grid Demonstration Program (Program) to fund 32 regional demonstrations and energy storage projects and provide supplemental funding to 10 existing projects for renewable and distributed systems integration and high temperature superconductivity. The projects were intended to demonstrate and further the advancement of the "smart grid," promoting innovative grid technologies. The Department awarded Recovery Act funding through cooperative agreements to both for-profit and non-profit entities.
- ☒ Because of the dramatic increase in funding and the national importance of modernizing the Nation's power grid, we initiated this audit to determine whether the Program had been properly managed.
- ☒ We found that the Department had not always managed the Program effectively and efficiently. Our review of 11 projects, awarded \$279 million in Recovery Act funding and \$10 million in other funding, identified weaknesses in reimbursement requests, cost-share contributions, and coordination efforts with another Department program. Specifically, the Department had:
 - Approved reimbursements totaling about \$12.3 million that lacked supporting documentation verifying that costs were incurred and were reasonable. Contrary to award terms and conditions, the Department reimbursed two recipients for

claims based on estimated rather than actual costs, resulting in overpayments of approximately \$9.9 million. A third recipient received nearly \$2.4 million without providing adequate supporting documentation;

- Not always ensured recipients contributed their agreed-upon share of project costs. For example, the Department erroneously approved one recipient's plan to use about \$28 million in expected proceeds from the sale of an energy storage unit manufactured in part with Federal funds and previous recipient contributions to meet its overall \$32.7 million cost-share requirement. Regulations specifically prohibit using Federal funds and previous recipient contributions toward meeting cost-share requirements; and,
- Awarded a recipient \$14 million for a project even though the recipient had received \$2 million under the Advanced Research Projects Agency – Energy (ARPA-E) Program for similar work. In fact, the recipient, unknown to the Department until our audit, had reported the same accomplishments under both awards.

■ The problems we identified occurred, in part, because the Department had not adequately reviewed financial transactions and planned for or monitored the cost-share provisions. In addition, officials relied on recipients to manage Smart Grid projects, even though cooperative agreements by definition require the substantial involvement of the Department.

■ To its credit, the Department is taking action to address \$2.6 million in unsupported costs and the associated cost-share contributions, including requiring payment of corresponding interest owed. Additionally, ARPA-E officials required the recipient to differentiate specific accomplishments and informed us they would take proactive measures to eliminate any potential overlap, or the appearance thereof, between the ARPA-E and Smart Grid Demonstration projects.

■ Given the infusion of Recovery Act funding, the Program has a unique opportunity to improve the Nation's power grid. In total, we questioned about \$12.3 million in costs claimed by recipients, with about \$9.7 million remaining to be resolved. In the absence of significant improvements, the Program is at risk of not meeting its objectives and has an increased risk of fraud, waste and abuse. Accordingly, we made recommendations to the Department to improve the management of the Program.

Team Leader/AIC:
Staff:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

Final Report on *Alleged Conflict of Interest at Sandia National Laboratory*
(INS-L-13-01, November 5, 2012)

- Sandia National Laboratory (Sandia) is designated as a Federally Funded Research and Development Center (FFRDC). According to the *Federal Acquisition Regulation (FAR)* 35.017, *Federally Funded Research and Development Centers*, an FFRDC is obligated to protect proprietary data, act with independence and objectivity, and perform in a manner free from any organizational conflicts of interest. As an FFRDC, Sandia cannot use its privileged information to compete with the private sector.

☛ The Office of Inspector General received a congressional request on behalf of a constituent alleging that another federal agency's use of support provided by the Department of Energy (Department) facilitated an organizational conflict of interest (OCI).

- We did not substantiate the allegation that the National Laboratory acted improperly and specifically engaged in OCI regarding work performed for the other Federal agency. We generally found no evidence that the National Laboratory obtained an unfair competitive advantage through its support to the other Federal agency or that the National Laboratory leveraged such an advantage to compete for work that the constituent could have performed.
- In addition, we did not identify any material issues with the Department's acceptance and the National Laboratory's performance of work requested by the other Federal agency.
- One of constituent's allegations was that another Federal agency's sourcing decisions were inappropriate. This appeared to be a matter of considerable controversy between the parties. At the outset of our inspection, the Inspector General for the other Federal agency asserted audit cognizance over all matters relating to the performance of that agency. For that reason, we have referred allegations related to the other Federal agency to its Office of Inspector General.

Team Leader:
Project Lead:
Assist:

(b)(6)

Final Report on *Alleged Improper Use of Patented Technology at Idaho National Laboratory*
(INS-L-13-02, November 5, 2012)

☛ Idaho National Laboratory (Idaho) is designated as a Federally Funded Research and Development Center (FFRDC). According to the *Federal Acquisition Regulation (FAR) 35.017, Federally Funded Research and Development Centers*, an FFRDC is obligated to protect proprietary data, act with independence and objectivity, and perform in a manner free from any Organizational Conflicts of Interest. As an FFRDC, Idaho cannot use its privileged information to compete with the private sector.

☛ The Office of Inspector General received a congressional request on behalf of a business constituent that alleged that Idaho planned to market the constituent's patented technology in direct competition with the private industry.

- We found no evidence to support the allegations that Idaho improperly used patented technology belonging to the business or that Idaho planned to compete with the business by entering into contracts with other Government agencies involving the business' patented technology.
- During the course of the inspection we did learn that in 2007 Idaho had entered into a Work for Others (WFO) agreement with the business under which Idaho was a subcontractor on a project funded by the Department of Defense (DoD). However, the WFO agreement incorporated Department of Energy Acquisition Regulation (DEAR) 970.5227-10, *Patent Rights – Management and Operating Contracts, Nonprofit Organization or Small Business Firm Contractor* clause

regarding the Government's patent rights. In essences, the DEAR clause gave Idaho the right to retain any intellectual property and/or patent developed during the WFO agreement since Government funds, in this case DoD funds, were the source of the WFO funding. In addition, during the period of our review Idaho had not entered into any agreement with any other government agency using technology developed during the WFO. However, Idaho granted the business a licensing option agreement for patents involving related technology developed by Idaho.

Project Lead:

(b)(6)

Acting Team Leader & Assistant:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- ☛ An entrance conference was held on Wednesday, October 31, 2012, for the *Audit of Cost Allowability for the National Renewable Energy Laboratory during Fiscal Years 2009 through 2011*. The objective of the audit is to determine whether the management and operating contractor of the National Renewable Energy Laboratory (NREL): conducted cost allowability audits in compliance with professional standards and can be relied upon; conducted or arranged audits of subcontractors when costs incurred were a factor in determining the amount payable to the subcontractors; and, questioned costs and identified internal control weaknesses that impacted allowable costs and adequately resolved such issues. In attendance were representatives from NREL, the Golden Field Office and the Office of Inspector General.

Team Leader:

AIC:

Staff:

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- ☒ An entrance conference was held on Tuesday, November 6, 2012 for the *Audit of Sandia National Laboratories' Operations of Facilities Program*. The objective of the audit is to determine whether Sandia National Laboratories' Readiness in Technical Base and Facilities (RTBF) Operations of Facilities Subprogram is effectively supporting the Life Extension Programs' requirements. In attendance were representatives from the Office of Inspector General, National Nuclear Security Administration's Headquarters and Albuquerque Complex, the Sandia Site Office and Sandia National Laboratories.

Team Leader: (b)(6)
AIC:
Staff:

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- ☒ An entrance conference was held on November 8, 2012, for the Audit of the Kansas City Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) Project. The objective of the audit is to determine whether the Kansas City Plant has taken adequate actions to ensure that non-nuclear components required to maintain the enduring stockpile systems, are produced without delay or interruptions during and after the relocation to the new manufacturing facility. In attendance were representatives from the Office of Inspector General, National Nuclear Security Administration's Headquarters and Albuquerque Complex, and the Kansas City Site Office.

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- ☒ 2012 Privacy Awareness Course must be completed by November 14, 2012.
- ☒ 2012 No FEAR Act Training must be completed by December 10, 2012.

ACTION ITEM REPORTS ATTACHED:

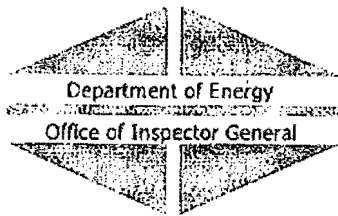
OTHER MATTERS:

JOYS, CARES, CONCERNS:

- ☒ Congratulations to Lindsey Kluch of the Livermore Inspections Group and her husband, (b)(6) on the birth of their (b)(6).
(b)(6) All are doing well.

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending November 16, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

Evaluation Report on *The Federal Energy Regulatory Commission's Unclassified Cyber Security Program - 2012* (OAS-L-13-01, November 7, 2012)

- ❑ The Federal Energy Regulatory Commission (Commission) is an independent agency within the Department of Energy responsible for, among other things, regulating interstate transmission of the Nation's electricity, natural gas and oil. In addition, the Commission licenses and inspects private, municipal and state hydroelectric projects. To achieve its mission, the Commission relies on a wide range of information technology (IT) resources to help ensure that rates and terms and conditions for wholesale sales of electric energy and natural gas are just and reasonable and promote the development of a safe, reliable and efficient energy infrastructure. As highlighted by recent cyber attacks on Federal entities, the information security threat landscape continues to change, and vulnerable IT resources continue to be exploited. To help protect against continuing cyber security threats, the Commission estimated that it would expend approximately \$5.3 million during Fiscal Year (FY) 2012 to secure its IT assets, a 39 percent increase over FY 2011.
- ❑ The Commission had taken action to further improve its cyber security posture and mitigate risks associated with the weaknesses identified during our FY 2011 evaluation. While these actions are noteworthy, our current evaluation disclosed that additional opportunities existed to better protect its information systems and data. Specifically, we continued to identify weaknesses related to the Commission's timely remediation of software vulnerabilities.
- ❑ As in past years, the problems we identified with the Commission's vulnerability management process were due, in part, to less than fully effective implementation of policies and procedures. In addition, Commission officials informed us that they did not

follow their existing Vulnerability Management Program (VMP) policies due to budget and resource constraints. As such, the identified high-risk vulnerabilities had not been remediated in a timely manner. Although the Commission had continued to make progress in improving its cyber security posture, additional actions are needed to further reduce the risk to the agency's information systems and data.

- ☒ We identified a number of positive measures taken by the Commission related to enhancing its unclassified cyber security program. For instance, we noted that the Commission continued to make improvements in implementing the existing VMP. Specifically, we found that the Commission initiated a project to upgrade the software tool used to manage patch and software deployment and had identified and continued to monitor vulnerabilities through its VMP and Plan of Action and Milestone processes.

Team Leader: (b)(6)

Inspection Report on *Continuity of Operations Planning and Intelligence Readiness* (INS-L-13-03, November 16, 2012)

- ☒ The Office of Inspector General initiated an inspection to assess the Office of Intelligence and Counterintelligence's (IN) Continuity of Operations (COOP) and intelligence readiness program.
- ☒ Based on our interviews, review of relevant documentation and physical observations, we determined that although IN has made various changes to its COOP Implementation Plan to facilitate intelligence readiness, additional actions could be taken to enhance its capabilities during a continuity event. Our review also identified certain issues with continuity communications (classified and unclassified), the results of which are included in a separate classified annex. However, because IN issued the 2012 Plan during our inspection, we could not fully assess the effectiveness of IN's plans for Test, Training and Exercises, Reconstitution or the Continuity Readiness Assurance Program. We identified additional actions that could be taken to strengthen IN's COOP processes for supporting the Department, other agencies and the President during continuity events.

Project Lead:
Acting Team Leader:
Assist:

(b)(6)

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report on *Federal Energy Regulatory Commission's Fiscal Year 2012 Financial Statement Audit*, (OAS-FS-13-03, November 15, 2012)

- ☒ This report presents the results of the independent certified public accountants' audit of the Federal Energy Regulatory Commission's Fiscal Year 2012 and 2011 balance sheets and the related statements of net cost, changes in net position, budgetary resources, and custodial activity.
- ☒ KPMG, LLP (KPMG) concluded that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
- ☒ KPMG noted no matters involving the internal control structure and its operation that they considered to be material weaknesses.

- ☒ The results of KPMG's tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that were required to be reported.

Technical Monitors:

(b)(6)

Financial Statement Audit Report on *Department of Energy's Fiscal Year 2012 Consolidated Financial Statements*, (OAS-FS-13-04, November 15, 2012)

- ☒ This report presents the results of the independent certified public accountants' audit of the United States Department of Energy's (Department) Fiscal Year 2012 consolidated financial statements.
- ☒ KPMG, LLP concluded that the financial statements are presented fairly, in all material respects, and in conformity with United States generally accepted accounting principles.
- ☒ As part of this review, the auditors also considered the Department's internal controls over financial reporting and tested for compliance with certain provisions of applicable laws, regulations, contracts and grant agreements that could have a direct and material effect on the consolidated financial statements. The following significant deficiency, related to unclassified network and information systems security, in the Department's system of internal controls is not considered a material weakness:
 - **Unclassified Network and Information Systems Security:** Network vulnerabilities and weaknesses in access and other security controls in the Department's unclassified computer information systems continue to exist. The Department has taken steps to enhance its unclassified cyber security program, including oversight of cyber security reform efforts, issuing guidance, and the development of a notational cyber security management architecture framework to support the Department's mission-related risk management approach.
- ☒ The audit disclosed no instances of noncompliance or other matters that are required to be reported under applicable audit standards and requirements.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

☐ 2012 No FEAR Act Training must be completed by December 10, 2012.

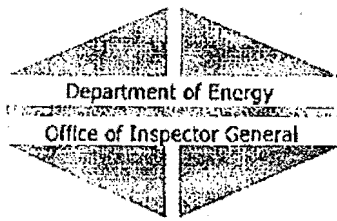
ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending November 30, 2012

FINAL REPORTS ISSUED THIS WEEK:

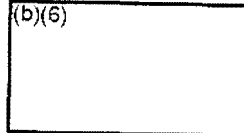
Special Report on Questioned, Unresolved and Potentially Unallowable Costs Incurred by Los Alamos National Laboratory During Fiscal Year 2010 (OAS-L-13-02, November 20, 2012)

- The objectives of the assessment were to determine whether questioned costs and internal control weaknesses impacting allowable costs identified in prior audits and reviews had been adequately resolved, and whether the Los Alamos National Laboratory (Los Alamos) conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. Among other observations, the assessment identified specific costs and internal control issues that had yet to be resolved under the contract.
- NNSA had not resolved approximately \$50,000 in costs questioned by Los Alamos' internal audit function during Fiscal Year (FY) 2010. The unresolved questioned costs were identified during the audit of Los Alamos' Acquisition Services Management (ASM) reviewed subcontracts. As of July 2012, the contracting officer and NNSA's Office of Field Financial Management were working with Los Alamos to resolve the questioned costs.
- We identified more than \$6 million in subcontract costs incurred during FY 2010 that we considered unresolved pending review by Internal Audit based upon weaknesses noted in the ASM subcontract audit function and strategy.
- In addition, we found over \$17 million in subcontract costs incurred during FY 2010 requiring audit that had not been audited. Los Alamos deferred audit of these costs until after the contract under which the costs were incurred closed on December 31, 2010. These costs are currently under audit by Internal Audit, thus, we reported these costs as unresolved pending audit completion.
- We reported nearly \$1.4 million in prior years subcontract costs as unresolved questioned costs. During 2011, Internal Audit identified approximately \$1.5 million in additional questioned subcontract costs that were incurred between FY 2003 and FY 2010. As of May 2012, nearly \$1.4 million of the approximate \$1.5 million in subcontract costs remain unresolved.
- During the course of our assessment, we noted that the Department of Energy was reviewing a potential Anti-Deficiency Act violation of approximately \$10.7 million. As of September 2012, these costs were unresolved, and therefore, we reported the nearly \$10.3 million of costs incurred in excess of approved funding and \$425,000 in legal fees associated with the Waste Management Risk Mitigation project as unresolved costs.
- In our April 2012 contract report, we identified more than \$439 million in prior year unresolved and questioned costs. These costs included approximately \$437 million in FY

2007 to FY 2009 unresolved subcontract costs pending audit or review by Internal Audit, and nearly \$2 million questioned costs.

- The NNSA Field Chief Financial Officer (CFO) signed the FY 2010 Los Alamos SCIC in September 2012. The CFO noted that Los Alamos had made significant improvements to its internal controls to address deficiencies cited in his December 2011 memorandum, in which he qualified his approval of the FY 2007 through FY 2009 SCICs. The memo further stated that the institutional controls were generally adequate to minimize the risk of incurring unallowable or unreasonable costs, and identified corrective actions to address current and previous years' concerns.

Team Leader:
AIC:
Staff:



Audit Report on Assessment of Audit Coverage of Cost Allowability for Los Alamos National Laboratory during Fiscal Year 2010 under Department of Energy Contract No. DE-AC52-06NA25396 (OAS-V-13-01, November 19, 2012)

- Los Alamos National Laboratory (Los Alamos) is required by its contract to account for costs incurred annually on its Statement of Costs Incurred and Claimed (SCIC), to maintain an internal audit activity, and to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor. During Fiscal Year (FY) 2010, Los Alamos' Acquisition Services Management (ASM) was responsible for the subcontract audit function until August 2010, when the responsibility was transferred to the Ethics and Audit Division (Internal Audit).
- Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Los Alamos' Internal Audit for FY 2010 could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits. However, we questioned \$50,317 of costs identified by Internal Audit as unresolved. As of July 2012, the contracting officer was working with Los Alamos to resolve the questioned costs.
- In the prior year SCIC report, the OIG concluded that ASM's subcontract audit function was ineffective. There were no significant improvements to ASM's review process during our audit. As a result, we reported \$6,256,593 in subcontract costs as unresolved pending review by Internal Audit.
- We also reported \$1,397,871 in unreported subcontract costs incurred between FY 2003 and FY 2010 as questioned costs as identified by Internal Audit.
- Additionally, we noted that the Department of Energy was reviewing a potential Anti-Deficiency Act violation. Specifically, the potential violation arises from Los Alamos expending \$10,274,001 more than authorized on the Waste Management Risk Mitigation line item construction project to correct defective work. Los Alamos incurred an additional \$425,000 in legal expenses in an attempt to recoup costs for correcting defective work. As of September 2012, these costs were unresolved; therefore, we are reporting the total of \$10,699,001 as unresolved costs.
- In addition, we reported \$434,147,129 in unresolved subcontract and questioned costs identified in the FY 2008 and FY 2009 OIG LANL SCIC audit. The contracting officer and

the Office of Field Financial Management continue to work with Los Alamos to resolve these costs.

- Finally, we reported the National Nuclear Security Administration Field Chief Financial Officer signed the FY 2010 Los Alamos SCIC noting that Los Alamos had made significant improvements to its internal controls to address deficiencies cited in his qualification of prior years' SCICs.

Team Leader:
AIC:
Staff:

(b)(6)

Audit Report on Audit Coverage of Cost Allowability for Bechtel BWXT Idaho, LLC under Department of Energy Contract No. DE-AC07-99ID13727 during Fiscal Year 2011 and the three months ended December 31, 2011 (OAS-V-13-02, November 20, 2012)

- Since 2005, Bechtel BWXT Idaho, LLC (Bechtel) has operated the Advanced Mixed Waste Treatment Project (AMWTP) under contract with the Department of Energy (Department). The AMWTP consists of a Government-owned facility to treat and ship transuranic waste out of the State of Idaho. The facility is managed under a management and operating contract. The contract ended September 30, 2011. During Fiscal Years (FY) 2011 and the three months ended December 31, 2011, Bechtel expended and claimed \$137,906,406. In lieu of Bechtel Internal Audit conducting the audit of the allowability of incurred costs for FY 2011 and the three months ended December 31, 2011, the Office of Inspector General contracted with KPMG, LLP (KPMG) to conduct the audit. To help ensure that audit coverage of cost allowability was adequate for FY 2011 and the three months ended December 31, 2011 the objectives of our review were to determine whether: KPMG conducted a cost allowability audit that complied with professional standards and could be relied upon; Bechtel conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and, Questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews have been adequately resolved.

- Based on our review, nothing came to our attention to indicate that the allowable cost related audit work performed by KPMG could not be relied upon. We did not identify any material internal control weaknesses with KPMG's cost allowability audit, which generally met Government Auditing Standards. We noted that Bechtel did not conduct any audits of subcontractors where costs incurred were a factor in determining the amount payable to a subcontractor because there were no such subcontracts requiring audit. Finally, we observed that KPMG had identified, through a statistical sample, \$741 in questioned travel costs, which have been resolved.

Team Leader:
AIC:

(b)(6)

Inspection Report on Tactical Response Force Pursuit Operations at Idaho National Laboratory, (INS-O-13-02, November 30, 2012)

- Our Inspection Report was addressed to the Manager, Idaho Operations Office. In support of the Department of Energy's mission, several national laboratories, to include

Idaho National Laboratory (Idaho), work with Special Nuclear Material. Idaho protects such materials with an armed protective force comprised of specially trained and equipped contractor personnel. Idaho is managed and operated by Battelle Energy Alliance (Battelle). The Department's Idaho Operations Office oversees the activities of Idaho and Battelle.

- ☒ Because of the presence of nuclear materials, Federal regulations require Idaho's contractor to maintain a highly trained Tactical Response Force to protect nuclear weapons, weapon components and Special Nuclear Material. As part of Idaho's protection strategy, the Tactical Response Force is equipped with vehicles to respond to attacks and pursue adversaries. It is possible for adversaries to cross jurisdictional lines and enter into a jurisdiction where several different Federal, state and local law enforcement agencies reside.
- ☒ Because such activities have the potential to endanger members of the public, we initiated this inspection to determine whether Idaho's Tactical Response Force was properly prepared, trained and equipped to execute its mission related to pursuit of suspects across jurisdictional lines.
- ☒ Our inspection revealed several weaknesses with Idaho's approach to pursuits that could cross jurisdictional lines. In particular, we identified problems with coordination, communication and equipment that could, if not addressed, result in confusion and lead to injury of members of the public. Specifically, we found that:
 - Idaho had not coordinated with and established Memorandums of Understanding (MOUs) with other law enforcement bodies regarding specific roles and responsibilities during pursuits across jurisdictional lines;
 - Emergency notification procedures necessary to communicate with Federal, state or local law enforcement agencies during pursuit operations across jurisdictional lines were not formalized and documented; and,
 - Tactical Response Force vehicles were not properly equipped to adequately alert the public during pursuit operations.

Management concurred with the report and management's comments and planned corrective actions are responsive to our report findings and recommendations.

Team Leader: (b)(6)

Lead Inspector: (b)(6)

Team Members: (b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Draft Examination Report on *North Carolina State Energy Office – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009*, November 28, 2012 (A12RA006)

- This report presents the results of an examination of the North Carolina State Energy Office's (Agency) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant Program (EECBG Program). The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Agency's compliance with Federal laws, regulations and program guidelines applicable to the EECBG Program.
- The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. The Agency received a \$20.9 million competitive grant award that was to be expended over an initial 3-year period from September 21, 2009 through September 20, 2012. The Agency requested and received an extension of its grant to March 2013.
- Lopez and Company, LLP, expressed the opinion that the Agency complied in all material respects with the aforementioned requirements and guidelines relative to the EECBG Program for the period September 21, 2009 through December 31, 2011. The report includes an advisory comment that represents a control deficiency that was not significant enough to adversely affect the Agency's ability to record, process, summarize and report data reliably, and is offered to Agency management as an opportunity for improvement.
- Specifically, the Agency's quarterly reports on jobs created and retained were incomplete. The Agency did not ensure all sub-grantees submitted job reporting data in a timely manner and did not make corrections to the reports as required. Further, the months included in the reports were inconsistent with the periods required to be reported under the Recovery Act. The report also points out that guidance on job reporting provided by the EECBG project officer was not consistent with Program policies and procedures according to EECBG Program officials.
- The report makes recommendations to the Agency to improve the administration of its EECBG Program. The Agency provided comments that expressed agreement with the recommendations and provided actions taken that addressed the issues identified. While these comments are responsive to the recommendations, the Department of Energy needs to ensure the actions are adequate to address the findings.

Team Leader:

Auditor-in-Charge:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

Draft Inspection Report on *Approval of Contractor Executive Salaries by Department of Energy Personnel*, November 21, 2012 (S12IS009)

■ (b)(5)

(b)(5)

(b)(5)

Our inspection revealed that a former ORO senior management official deviated from established Department guidance, found in the awarded contract, by approving URSICH2M Oak Ridge, LLC (UCOR) contractor executive salaries that were higher than appropriate. During the course of our inspection, and after we questioned the initial salary approvals, ORO rescinded the salary increases. Subsequently, a senior ORO procurement official approved salary increases for all 10 contractor executives at the same level UCOR requested in its original contract proposal, without regard to established ORO Human Resources (ORO HR) market rates.

- Our inspection identified uncertainty and a number of significant missteps related to the process for reviewing and approving proposed contractor executive salaries when new contracts were awarded. For example, ORO and Headquarters officials mistakenly believed that the executive salary amounts submitted by UCOR were found to be reasonable by the Source Evaluation Board (SEB) officials during the contract pre-award phase. We determined, however, that despite ORO's assurances and a signed certification, the SEB believed to be responsible for reviewing UCOR's proposal had not actually performed such a review. Instead, SEB officials told us that they expected that UCOR executive salaries would be set based on the ORO HR market analysis. We discussed the salary setting procedures with Headquarters program and procurement officials, who told us they were under the impression that a new process for setting contractor executive salaries had been adopted by ORO procurement officials. We ultimately determined that the market analysis had actually been performed by ORO HR staff; however, both ORO management and procurement officials elected not to use the calculated market salary rates completed by ORO HR when setting UCOR executive salaries. The former ORO senior management official that finally approved the salary increases explained that ORO approved them because it believed that it had the authority to do so. The former official acknowledged that in doing so, ORO had inadvertently circumvented the Department's prescribed approval process. During a subsequent discussion of an initial draft of this report, ORO and EM officials told us that they used the SEB pre-award process to determine reasonableness of executive salaries. As such, ORO and EM officials indicated that they did not inadvertently circumvent the Department's prescribed approval process. The officials also indicated that the SEB obtained audit services from KPMG, LLC (KPMG) to assess the reasonableness of the salaries. We were told by KPMG officials however that an assessment of the reasonableness of a contractor's salary was outside of KPMG's scope of work. Although the Department has taken a number of actions to address many of the deficiencies that we identified, we believe that additional actions are necessary. We made five recommendations to help address the issues with inconsistently applied guidance, improve the contractor executive salary setting process, and better control salary costs in this area.

Team Leader:

Lead Inspector:

Team Members:

(b)(6)

Draft Inspection Report on *Radiological Waste Operations in Area G at Los Alamos National Laboratory*, November 29, 2012 (S11IS010)

(b)(5)

(b)(5)

Los Alamos National Laboratory (Los Alamos) has a national

security mission that includes science, engineering and technology related to radioactive and hazardous materials such as plutonium, americium, asbestos and lead. Material Disposal Area G, located in Technical Area 54, is one of Los Alamos' active disposal areas for low-level radioactive waste. To help ensure that operations are conducted in a safe and efficient manner, Los Alamos developed a program to integrate management and radiological waste operations work practices in Area G. NNSA's Los Alamos Site Office is responsible for overseeing the operations of Los Alamos.

- Title 10, Code of Federal Regulations, Part 830, *Nuclear Safety Management*, and Department of Energy (Department) and Laboratory requirements govern the conduct of Department contractors, personnel and other persons conducting activities that affect, or may affect, the safety of the Department's nuclear facilities. Assessments completed by the Los Alamos Site Office and the Department's Office of Enforcement and Oversight, Office of Health, Safety and Security in 2011 identified operational problems that could adversely impact safety at Los Alamos.
- Because safety is an essential part of the Department's operations, we initiated an inspection to determine whether previously reported safety weaknesses had been addressed and whether radiological waste operations in Material Disposal Area G were being conducted in a safe manner.
- We noted that Los Alamos developed corrective actions designed to address safety issues identified during the 2011 safety assessments. While progress had been made, our inspection identified opportunities for further improvements regarding training, the consistency of Area G operational activities with safety requirements, and updating safety-related documents. Specifically, we found that:
 - Seven individuals who worked in Area G did not complete the required safety training, and an additional two individuals' training files were not updated with the employees' most current training information;
 - Some Area G operational activities were not conducted in a manner that was consistent with specific operational safety requirements. For example, during our tours of the facility we observed blocked emergency access roads, unsafe forklift operations, and potential cross-contamination of work/break areas; and,
 - The Technical Safety Requirements document used to specify required safety and operational procedures contained numerous outdated or cancelled references.
- Los Alamos did not always ensure Area G operated in a manner that supported the adequate protection of the workers and the environment, consistent with required safety standards and operational safety requirements. Further, Los Alamos did not periodically review the Technical Safety Requirements document to ensure that all references to applicable Laboratory procedures and Department and national consensus documents were updated and current. Because Los Alamos did not take sufficient steps to ensure that unsafe conditions were avoided or mitigated, unsafe conditions may exist that could lead to personnel injury or property damage in Area G.
- We made a number of recommendations designed to assist the NNSA with ensuring that Area G operations are conducted in a safe manner.

Team Leader:
Project Lead:

(b)(6)

Team Members:

(b)(6)

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report *Department of Energy's Nuclear Waste Fund Fiscal Year 2012 Financial Statement Audit*, (OAS-FS-13-05, November 29, 2012)

- This report presents the results of the independent certified public accountants' audit of the Department of Energy's Nuclear Waste Fund's (Fund) Fiscal Year 2012 financial statements.
- KPMG, LLP concluded that the financial statements are presented fairly, in all material respects, and in conformity with United States generally accepted accounting principles.
- The auditors' review of the Fund's internal control structure and compliance with certain laws and regulations disclosed no material weaknesses or instances of noncompliance required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

- ☒ An entrance conference was held on Thursday, November 15, 2012 regarding the audit of the *Management of the Department of Energy's Biosafety Laboratories*. The objective of the audit is to determine whether the Department of Energy managed its biosafety laboratories effectively. In attendance were representatives from the Office of Inspector General, the National Nuclear Security Administration, Office of Science, and Los Alamos, Lawrence Livermore, and Argonne National Laboratories.
-

- ☒ An entrance conference was held on Monday, November 26, 2012, regarding the *Audit Coverage of Cost Allowability for SLAC National Accelerator Laboratory (SLAC) under Department of Energy Contract Number DE-AC02-76SF00515 during Fiscal Years 2008-2011*. The objectives of the audit are to determine whether: (1) Internal Audit conducted a cost allowability audit that complied with professional standards and could be relied upon; (2) SLAC conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and, (3) questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews have been adequately resolved. In attendance were representatives from the Office of Inspector General, Office of Science, the Oak Ridge Office, SLAC Site Office and Stanford University.

Team Leader:
AIC:

(b)(6)

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- ☒ 2012 No FEAR Act Training must be completed by December 10, 2012.
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ACTION ITEM REPORTS ATTACHED:

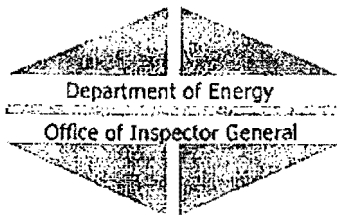
OTHER MATTERS:

JOYS, CARES, CONCERNS:

- ☒ On Monday, November 26, 2012, Ashley Lockhart joined the Livermore Audit Group. Ashley comes to us from the Department of Interior where she worked for a year as an Auditor. Prior to that, she was with the Defense Logistics Agency as a Contract Specialist for 4 years. Ashley received her Bachelor's Degree in Accounting in 2010 from Virginia State University. Ashley is originally from San Diego, California, but has spent the last 10 years in Prince George, Virginia. We welcome Ashley to the Office of Inspector General family.
-

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Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report
Office of Audits and Inspections

Ending December 7, 2012

FINAL REPORTS ISSUED THIS WEEK:

RECOVERY ACT REPORTS ISSUED THIS WEEK:

Audit Report on *The Department's Implementation of Financial Incentive Programs under the Energy Efficiency and Conservation Block Grant Program* (OAS-RA-L-13-02, November 30, 2012)

- The Department of Energy's (Department) Energy Efficiency and Conservation Block Grant (EECBG) Program, funded for the first time by the American Recovery and Reinvestment Act of 2009 (Recovery Act), was intended to help US cities, counties and states develop, promote, implement and manage energy efficiency and conservation projects. The EECBG Program received \$3.2 billion in Recovery Act funding for competitive and formula grants. Of the \$3.2 billion, approximately \$284 million was designated by EECBG recipients for financial incentive programs.
- The Department had taken a number of positive steps to implement and administer EECBG financial incentive programs to ensure accountability for Recovery Act funding and compliance with laws and regulations. For example, with the launch of the Recovery Act, the Department introduced the Solution Center, an online portal for technical assistance resources that included best practices, templates, online trainings and webcasts. However, our review found two major challenges in ensuring the effectiveness of the EECBG financial incentive programs. These challenges included:
 - Ensuring grant recipients were on track to meet expenditure goals for their financial incentive programs prior to the end of their grant periods; and,
 - Finalizing grant recipient guidance on their responsibilities for long-term monitoring and reporting of financial incentive programs funding.
- We found that the Department understood these challenges and had taken action to address them. Additionally, we noted that the Department had identified and was taking action to address a problem with one recipient that had not complied with Federal requirements to segregate Recovery Act funds from other funding sources in its accounting system.

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

Examination Report on *City of Los Angeles – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (December 7, 2012, A11RA042)

- ☒ This report presents the results of an examination of the City of Los Angeles – Energy Efficiency and Conservation Block Grant (EECBG) Program Funds Provided by American Recovery and Reinvestment Act of 2009. The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the City's compliance with Federal laws, regulations and program guidelines applicable to the EECBG Program.
- ☒ The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. In July 2009, the Department of Energy (Department) awarded the City a 3-year formula grant of \$37 million. The City allocated EECBG funds to ten of its departments, including the Department of Water and Power, General Services Department (GSD) and the Los Angeles Housing Department. The City assigned responsibility for managing its grant to the Community Development Department. The City had sixteen activities under the grant, including a Municipal Buildings Retrofit Program, development of several EECBG Program related strategies and Outreach and Education Programs. The City requested and received an extension on its grant to September 2013.
- ☒ Lopez and Company, LLP, expressed the opinion that except for the significant deficiency in internal controls described in its report, the City complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period July 27, 2009 through June 30, 2011. However, the examination found that the City had not ensured GSD contractors paid their employees prevailing wages in accordance with the Davis-Bacon Act. Additionally, GSD had not documented that 15 contractor employees were appropriately classified as apprentices.
- ☒ The report includes advisory comments that communicate control deficiencies that were not significant enough to adversely affect the City's ability to record, process, summarize and report data reliably. These advisory comments were offered to City management as an opportunity for improvement.
- ☒ Specifically, the City:
 - Did not properly account for or document EECBG equipment purchases in accordance with Federal regulations. Specifically, GSD did not include in its official fixed asset system required information regarding the source and percentage of Federal participation of funds for each fixed asset; and,
 - Had not properly calculated total labor hours used to compute jobs created and retained.
- ☒ The report makes recommendations to the City to improve the administration of its EECBG Program. The City provided comments that expressed general disagreement with some findings and recommendations. The City responded it had already, in most cases, taken action to address the issues identified. The response to the City's comments, Lopez and Company, LLP, removed one of its findings related to cash advances because it was a single occurrence and the City had implemented mitigating

controls. The Department needs to determine whether the corrective actions taken for the remaining findings were adequate and ensure the recommendations outlined in the report were implemented.

Team Leaders:
Auditor-in-Charge:

(b)(6)

DRAFT REPORTS ISSUED THIS WEEK:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

Financial Statement Audit Report on *Southwestern Federal Power System's Fiscal Year 2011*
Financial Statement Audit (OAS-FS-13-06, November 29, 2012)

- ☒ The attached report presents the results of the independent certified public accountants' audit of the Southwestern Federal Power System's (SWFPS) combined balance sheets, as of September 30, 2011 and 2010, and the related combined statements of changes in capitalization, revenues and expenses, and cash flows for the years then ended.
- ☒ KPMG, LLP concluded that the combined financial statements fairly present, in all material respects, the respective financial position of the SWFPS as of September 30, 2011 and 2010, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles.
- ☒ As part of this review, the auditors also considered SWFPS's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit identified the following deficiencies in internal control over financial reporting, as reported in the Independent Auditor's Report on Internal Control over Financial Reporting based on the SWFP's Fiscal Year 2006, 2007, 2008 and 2009 Financial Statement Audits, which were considered to be material weaknesses:
 - Four internal control deficiencies were identified over accounting for utility plant, each of which were considered to be significant. When combined together, these four conditions were considered a material weakness.
 - Five internal control deficiencies were identified over Accounting Policies and Procedures, each of which were considered to be significant. When combined together, these five conditions were considered a material weakness.
- ☒ U.S. Army Corps of Engineers and Southwestern Power Administration management agreed with the findings and recommendations that pertained to them and agreed to take the necessary corrective actions.

Technical Monitors:

(b)(6)

Management Letter on the *Federal Energy Regulatory Commission's Fiscal Year 2012 Financial Statement Audit* (OAS-FS-13-07, December 3, 2012)

- ❏ KPMG, LLP noted certain matters involving internal control and other operational matters during their audit of the Federal Energy Regulatory Commission's (FERC) Fiscal Year (FY) 2012 financial statements. These matters are intended to improve internal control or result in other operational efficiencies.
- ❏ The management letter contains 1 new finding and 2 repeat findings that were issued during the course of FERC's FY 2012 Financial Statement Audit.
- ❏ Management concurred with and provided planned corrective actions for the recommendations listed in the Management Letter.

Technical Monitors:

(b)(6)

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

- ❏ An exit conference was held on December 6, 2012, with representatives of the Office of Health, Safety and Security to discuss the Inspection Report on *Allegation Wasteful Spending Regarding the Deputy Secretary's International Travel* (S13IS002). We did not substantiate the allegation of wasteful spending regarding the Deputy Secretary's international travel.

Project Lead:

Acting Team Leader:

Team Member:

(b)(6)

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- 2012 No Fear Act Training must be completed by December 17, 2012.
-

ACTION ITEM REPORTS ATTACHED:

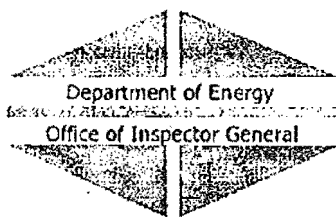
OTHER MATTERS:

JOYS, CARES, CONCERNS:

- On December 3, 2012, Ms. Brenda Froberg joined the Office of Inspections as the Team Leader for the Eastern Region Washington, DC Office. Brenda previously served 25+ years as a Criminal Investigator with the General Services Administration and Department of Energy Offices of Inspector General. Her extensive investigative experience will be a valuable asset to our office. We wish Brenda the very best in her new position.
-

Distribution:

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Director for Planning, Administration & Quality Assurance
Division Directors
Assistant Division Directors
Team Leaders



Weekly Activity Report Office of Audits and Inspections

Ending December 14, 2012

FINAL REPORTS ISSUED THIS WEEK:

Audit Report on *Follow-up Audit of the Department's Cyber Security Incident Management Program* (DOE/IG-0878, December 11, 2012)

- The *Federal Information Security Management Act of 2002* requires each agency to implement procedures for detecting, reporting and responding to cyber security incidents, including notifying and consulting with the Federal information security incident center, law enforcement agencies and Inspectors General. To meet this requirement and counter the threat posed by cyber attacks, the Department of Energy's (Department) Office of the Chief Information Officer, the National Nuclear Security Administration (NNSA) and a number of field sites established organizations to provide expertise in preventing, detecting, responding to and recovering from cyber security incidents. In 2008, the Office of Inspector General reported in *The Department's Cyber Security Incident Management Program* (DOE/IG-0787, January 2008) that the Department and NNSA established and maintained a number of independent, at least partially duplicative, cyber security incident management capabilities. Management concurred with the recommendations in our report, and the Department and NNSA agreed to establish a joint incident management operation. Because cyber incidents have the potential to severely hinder the Department's ability to perform its mission and can require costly recovery efforts, we initiated this follow-up audit to determine whether the Department had implemented an effective enterprise-wide cyber security incident management program.
- Although certain actions had been taken in response to our prior report, we identified several issues that limited the efficiency and effectiveness of the Department's cyber security incident management program and adversely impacted the ability of law enforcement to investigate incidents. In particular, we noted that the Department and NNSA continued to operate independent, partially-duplicative cyber security incident management capabilities, and cyber security incidents were not consistently identified and/or reported to the Joint Cyber Security Coordination Center or other organizations, as required.
- The issues identified were due, in part, to the lack of a unified, Department-wide cyber security incident management strategy. For instance, despite our prior recommendations, the Department and NNSA had been unable to establish an integrated strategy for incident management. In addition, changes to the Department's Incident Management policy and guidance may have adversely impacted overall incident management and response by law enforcement and counterintelligence officials. Specifically, sites did not always report cyber security incidents because updated policy and reporting instructions lacked detail and were subject to interpretation. Also, we found that incident reporting to law enforcement was not always timely or complete, which hindered investigations into events.
- In the absence of an effective enterprise-wide cyber security incident management program, a decentralized and fragmented approach has evolved that places the

Department's information systems and networks at increased risk. To help improve cyber-related communication and coordination, we made several recommendations that, if implemented, should help the Department develop an enterprise-wide cyber security strategy and enhance the security of its information systems. Management concurred with the report's recommendations and indicated that it had initiated actions to address issues identified in our report. In separate comments, NNSA concurred with the report's recommendations and provided intended corrective actions.

Team Leader:
AIC:
Staff:

(b)(6)

RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT RECOVERY ACT REPORTS ISSUED THIS WEEK:

DRAFT REPORTS ISSUED THIS WEEK:

Draft Special Report on *Department of Energy's Management of the Award of a \$150 Million Recovery Act Grant to LG Chem Michigan Inc.*, (December 12, 2012) (A13RA001)

☛ In February 2010, the Department of Energy's (Department) Vehicle Technologies Program awarded LG Chem Michigan Inc (LG Chem), formerly Compact Power Inc., more than \$150 million in American Reinvestment and Recovery Act of 2009 (Recovery Act) funding to help construct a \$304 million manufacturing facility that would produce lithium-ion battery cells in Holland, Michigan. The facility was to create more than 440 jobs and produce enough battery cells annually to equip 60,000 vehicles by the end of 2013, with assembly beginning in 2012. On October 24, 2012, the Office of Inspector General received a complaint that LG Chem misused Recovery Act funds. The complainant asserted that employees at the Michigan facility had little work to do and were spending time volunteering at local non-profit organizations, playing games and watching movies at the expense of the Federal government and taxpayers. In a separate action, the Department's Chief of Staff and its General Counsel brought similar concerns to our attention. We initiated this review to determine whether the Department had adequately managed the Recovery Act grant awarded to LG Chem.

☛ The allegation that the Department reimbursed LG Chem for labor costs that did not support the goals and objectives of the grant was substantiated. Specifically, LG Chem inappropriately claimed and was reimbursed for labor charges incurred by a variety of supervisory and staff employees for activities that did not benefit the project. Through interviews with LG Chem management and other staff, we confirmed that employees spent time volunteering at local non-profit organizations, playing games and watching movies during regular working hours. We were unable to calculate the exact loss to the government because LG Chem did not track labor activities in detail. However, based on LG Chem employee revelations regarding work habits, we believe that it is likely that the total amount of charges that included at least some non-productive work exceeded \$1.6

million, about \$842,000 of which was reimbursed by the Department in accordance with its cost-sharing arrangement for the project.

- In addition, we found that the overall goals related to production of battery cells and the projected number of jobs created had not been met. For example, at the time of our review, less than half the expected number of jobs had been created to support the project. Furthermore, even though the facility produced a large number of test cells, the plant had yet to manufacture battery cells that could be used in electric vehicles sold to the public. Additionally, our review also determined that only about 60 percent of the production capacity set forth in the grant agreement was constructed even though nearly 94 percent of the Department's share of project funds (\$142 of \$151 million) had been spent.
- While project documentation prepared to support the grant award indicated that production of battery cells would transition from LG Chem's South Korean facility to the Michigan plant beginning in 2012, we found that this shift in production had not occurred. LG Chem officials indicated that they had not begun production at the facility because demand for the United States manufactured vehicle for which the plant was to produce battery cells, the Chevrolet Volt, had not developed as expected.
- The problems we identified occurred, in large part, due to LG Chem and Department management and grant monitoring issues. Notably, LG Chem did not fully satisfy grant requirements, and the Department did not insist that it do so. Specifically, LG Chem officials delayed the transition of production to the US plant even though demand for the Chevrolet Volt amounted to about 3,000 vehicles per month at the time of our review. That volume could have readily been produced by using the then built-out capacity of the Michigan plant. NETL officials commented that it was anticipated that the transition would occur when the grant was awarded, however language had not been incorporated into the grant requiring the shift in production. Further, LG Chem officials told us that the vast majority of the increase in project costs was due to errors in estimating labor costs. For example, LG Chem failed to account for the Recovery Act-based requirement to utilize Davis-Bacon Act wage rates for subcontractors. In addition, LG Chem management had not adequately implemented the terms and conditions of the grant agreement as they related to potentially unallowable costs. For instance, company officials we spoke with conceded that they submitted all labor costs for reimbursement because they claimed to be unfamiliar with the types of costs that were allowable/unallowable. We found, however, that grant documentation and related Federal regulations clearly established what types of costs were permissible.
- The issues identified were also due to a lack of effective monitoring of grant activities by NETL, related to project progress and labor reimbursements. For example, even though indications existed that the project was not progressing as planned -- including employee furloughs, construction delays and cost overages -- NETL had not taken action to determine whether payments to LG Chem should be suspended pending further review of the project. In preliminary comments on our report, officials stated that documentation they had received from LG Chem did not indicate that the project would not meet its goals and objectives.
- The LG Chem grant faced a number of challenges. Most notably, the demand for battery cells to be produced at the Michigan plant was less than anticipated, frustrating efforts by the Department and its Recovery Act grant recipient to promote the use of electric vehicles and reduce the Nation's dependence on foreign oil. To its credit, NETL had initiated prompt actions related to resolving issues highlighted in the complaint, initially

referred to us by the Recovery Accountability and Transparency Board, including attempting to recover presumptively unallowable labor reimbursements and requiring LG Chem to submit an action plan to address concerns with the progress of the project. While the efforts of the Department and LG Chem's immediate reaction to the allegations may ultimately result in recovery of some measure of the non-productive labor charges, the results of our review indicated that more fundamental issues exist limiting the possibility that the objectives of the project will be met. As such, we have made a series of recommendations that should assist the Department in managing its Vehicle Technologies Program as it relates to LG Chem and similarly situated grantees.

Assistant Director:
AIC:
Staff:

(b)(6)

Draft Audit Report on *The Department of Energy's Industrial Carbon Capture and Storage Program Funded by the American Recovery and Reinvestment Act* (December 13, 2012, A12RA014)

- The Department of Energy (Department) received nearly \$1.5 billion through the American Recovery and Reinvestment Act of 2009 (Recovery Act) to invest in clean industrial technologies and sequestration projects through the Industrial Carbon Capture and Storage Program (Carbon Program). The National Energy Technology Laboratory awarded 46 cooperative agreements to projects designed to demonstrate large-scale carbon capture and storage from industrial sources, develop innovative concepts for beneficial carbon dioxide use, accelerate carbon capture and storage research and development and further the development of clean coal technologies. The agreements require substantial involvement by Federal project managers and rely on recipients such, as private industry and universities, to share in the investments needed to complete the projects.
- Previous Office of Inspector General reviews identified weaknesses in the Department's management of financial assistance awards. For instance, our audit report on *Management of Fossil Energy Cooperative Agreements* (DOE/IG-0692, July 2005) found that the Department had not always provided adequate monitoring and oversight of cooperative agreements, and Federal project officials had not always taken sufficient action to address project management or financial shortcomings. In light of previous concerns and the significant amount of Recovery Act funding, we initiated this review to determine whether the Department had effectively and efficiently managed the Carbon Program.
- We found that the Department had not always effectively managed the Carbon Program and the use of Recovery Act funds. In particular, our review of the Carbon Program, including 15 recipients awarded a total of approximately \$1.1 billion, found the Department: (a) had not documented significant program decisions when awarding \$575 million in Recovery Act funds to accelerate existing projects; (b) reimbursed recipients approximately \$16.8 million without obtaining or reviewing adequate supporting documentation; (c) awarded three recipients over \$90 million in Recovery Act funding even though their projects had not met minimum merit review financial or technical scores; and, (d) had not ensured that recipient subcontractor or vendor selections for goods and services represented the best value to the government.

- ☒ The issues we identified occurred, in part, because program officials had not always provided effective monitoring and oversight of recipient activities. Specifically, the Department had not implemented certain performance monitoring controls that could have allowed for more thorough reviews of costs prior to reimbursement. In addition, we found that policies and procedures related to managing the Carbon Program were either not developed or not fully implemented. Also, Department officials indicated that their involvement under cooperative agreements was limited to technical monitoring rather than financial oversight of projects. Finally, despite Federal and Department policies requiring significant decisions be documented, program officials had not maintained records related to decisions to allocate funds to accelerate existing projects.

Team Leader: (b)(6)
AIC:
Staff:

LETTER REPORTS ISSUED THIS WEEK:

FINANCIAL STATEMENT AUDIT REPORTS ISSUED THIS WEEK:

OTHER AUDITS:

RECOVERY ACT INFORMATION:

SIGNIFICANT INSPECTION ACTIVITY:

OTHER INSPECTION ACTIVITY:

WEEKLY OPERATIONS STATISTICAL SUMMARY:

ANNOUNCEMENT OF NEW AUDITS/INSPECTIONS:

NO FURTHER ACTION LETTER ISSUED:

MANDATORY TRAINING:

- ☞ 2012 No Fear Act Training must be completed by December 17, 2012.
- ☞ DOE Headquarters 2012 Annual Security Refresher Briefing must be completed by January 14, 2013.
- ☞ 2012 Federal Employee Occupational Safety and Health Annual Training Course must be completed by January 31, 2013.

ACTION ITEM REPORTS ATTACHED:

OTHER MATTERS:

JOYS, CARES, CONCERNS:

Distribution:

Inspector General
Counsel to the Inspector General
Deputy Inspector General for Audits & Inspections
Deputy Inspector General for Investigations
Deputy Inspector General for Management & Administration
Assistant Inspector General for Audits
Assistant Inspector General for Inspections
Director for Planning, Administration & Quality Assurance
Division Directors
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