



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

Semiannual Report to Congress

April 1, 2019 – September 30, 2019

DOE-IG-0075

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MESSAGE FROM THE INSPECTOR GENERAL

As we continue our focus on the oversight of contract and subcontract management, we've issued multiple audit reports identifying weaknesses in contractor internal controls, noncompliance with cost accounting standards by contractors, weaknesses in internal audit processes, and a lack of subcontract audits. The OIG identified hundreds of millions of dollars in questioned costs in this reporting period.

The remarkable accomplishments of OIG staff in this reporting period are due in large part to the implementation of a data analytics group within the OIG. Using data analytics, the OIG identified and reported approximately \$261 million in unsupported subcontract costs, and more than \$33 million in potential over charges for direct labor and related fees by ActioNet, the Department's now former information technology contractor.

While still in its first year, the data analytics group also obtained access to critical data management systems, now expanding from a Headquarters-focused effort to a contractor-focused effort. A top priority of the OIG is to gain real-time, read-only access to the contractor data management systems that are critically important to the oversight mission of the OIG. The data management systems utilized by the M&O contractors are owned by the Federal Government. Ready access to these systems is certainly achievable, and it will facilitate much more efficient and impactful oversight by the OIG. The data analytics group also assisted on multiple criminal investigations, audits, and inspections.

This illustrates another top priority for growth within the OIG – daily collaboration between audits, inspections, and investigations. To facilitate this collaboration, the OIG has developed a new office: the Office of Inspections, Intelligence Oversight, and Special Projects. This new group of dedicated professionals will work closely with the data analytics group to act as an “advance team” concentrating on shorter projects, and developing informed and timely referrals to audits and investigations. This new group will also be responsible for the oversight of the intelligence and counterintelligence mission elements, which are vital to DOE, including NNSA.

I look forward to fiscal year 2020, and the positive changes ahead. We'll continue our focus on the Department's Cooperative Audit Strategy, incurred cost audit coverage over non-M&O contractors, and audit coverage over subcontracts. We'll also continue our constructive relationship with the Department, which is critical to implementing changes to benefit the American taxpayers.

In closing, I've been honored to visit 11 Department sites and OIG offices in my first 8 months as Inspector General. I've met some of the best and brightest individuals in the fields of science, technology, environmental cleanup, and national defense. I greatly appreciate the welcome extended by these dedicated public servants and the guidance they've provided to me during my first year on the job.



Teri L. Donaldson

STATISTICAL HIGHLIGHTS

INVESTIGATIONS

INVESTIGATIVE ACTIVITIES

Total Persons ¹ Referred to a Prosecuting Authority	44
Department of Justice Referrals	38
State/Local Referrals	6
Referrals Accepted for Prosecution ²	21
Investigative Reports ³ Issued During Period	10
Administrative Discipline and Other Management Actions	104
Suspensions/Debarments	18
Indictments ⁴ /Criminal Informations	5
Indictments/Criminal Informations Resulting from Prior Period Referrals	3
Criminal Convictions	6
Pre-Trial Diversions	0
Civil Actions	3
Dollars Recovered ⁵ (Fines, Settlements, Recoveries)	\$7,694,476

CASE STATISTICS

Cases Open as of April 1, 2019	189
Cases Opened	60
Cases Closed	55
Cases Open as of September 30, 2019	194
Total Open Qui Tam Investigations as of September 30, 2019	16
Qui Tam ⁶ Investigations Opened During Period	4
Multi-Agency Task Force Cases Opened During Period	19

HOTLINE RESULTS

Total Hotline Calls, Emails, Letters, and Other Complaints (Contacts) ⁷	1,625
Hotline Contact Resolved Immediately/Redirected/No Further Action	1,477
Hotline Contacts Predicated for Evaluation	148
Total Hotline Predications Processed this Reporting Period	150
Hotline Predications Transferred to OIG Program Offices	27
Hotline Predications Referred to Department Management or Other Entity for Information/Action	52
Hotline Predications Closed Based upon Preliminary OIG Activity and Review	67
Hotline Predications Open at the End of the Reporting Period	4

¹Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

²Some referrals accepted during the 6-month period were referred for prosecution during a previous reporting period.

³Investigative Reports issued by the Office of Investigations include Reports of Investigation and Investigative Reports to Management.

⁴Sealed Indictments are included.

⁵Some of the money collected was the result of investigations involving multiple agencies.

⁶For more information on Qui Tams, go to: http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00932.htm

⁷This number includes any contact that required Hotline staff review, including re-contacts for additional information and requests for disposition.

STATISTICAL HIGHLIGHTS

AUDITS AND INSPECTIONS

AUDITS AND INSPECTION ACTIVITIES

Total Reports Issued	31
Audit Reports Issued	22
Inspection Reports Issued	9

BETTER USE OF FUNDS

	TOTAL NUMBER	BETTER USE OF FUNDS
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of September 30, 2018: ¹	8	\$48,711,393
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made):	1	\$129,086
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period: ²	4	\$24,507,300
(i) Agreed to by management:	0	\$9,202,300
(ii) Not agreed to by management:	0	\$15,305,000
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period:	5	\$24,333,179

QUESTIONED COSTS

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned and/or unsupported costs for which decisions on dollars had not been made as of March 31, 2019: ¹	21	\$703,530,870	\$1,375,581	\$704,906,451
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made):	6	\$64,355,533	\$269,500,000	\$333,855,533
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period: ²	9	\$69,263,777	\$8,616,020	\$77,879,797
(i) Value of disallowed costs:		\$1,868,981	\$58,293	\$1,927,274
(ii) Value of costs not disallowed:		\$67,394,796	\$8,557,727	\$75,952,523
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period:	18	\$698,622,626	\$262,259,561	\$960,882,187

Definitions:

Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions.

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

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

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

¹Includes reports for which the Department may have made some decisions on dollars but not all issues within the report have been resolved.

²Does not include reports for which the Department has made decisions on some aspects of the report but not all.

POSITIVE OUTCOMES

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods.

- The Naval Research Laboratory terminated a laboratory employee formerly employed by Argonne National Laboratory (ANL). The termination was made following coordination by the OIG and the Naval Criminal Investigative Service (NCIS). The former employee admitted to having violated intellectual property agreements by forwarding patent applications for technologies developed at ANL to private companies and then attempting to obtain a position at those companies. This is an ongoing joint investigation with NCIS and the Federal Bureau of Investigation.
- The National Nuclear Security Administration issued a notice of suspension for a former contractor employee of Los Alamos National Laboratory. The suspension was issued following the indictment of the employee in the District of New Mexico for False Statements made by the contractor employee on security clearance forms regarding connections with foreign nationals. The suspension is active pending the resolution of the criminal case against the contractor employee. This is an ongoing joint investigation with the Federal Bureau of Investigation.
- In response to a Hotline referral, the Office of Economic Impact and Diversity (ED) conducted a review into allegations a Department employee had been approved to attend a 2-day training course; however, the employee failed to attend and did not submit leave for the time period. ED substantiated the allegation and obtained additional evidence during its review which determined that the Department employee should be charged absent without official leave for thirty separate occasions over a 1 year period, totaling in excess of 100 hours.
- After receiving a Hotline referral, the National Nuclear Security Administration (NNSA) conducted a review into an allegation that funding had been inappropriately used to setup a Local Area Multilateration System (LAMS) at the Tonopah Test Range. NNSA determined that operations and maintenance funds were incorrectly charged to set up the LAMS rather than an intended capital account. The Sandia Nuclear Deterrence Program Management Office, however, corrected this error without impact since it occurred this fiscal year.
- The Department had taken immediate actions to address identified weaknesses related to the cybersecurity program at the site reviewed. For example, management indicated that the site had taken action to significantly reduce the number of critical vulnerabilities that were identified during our review. In addition, the Department had planned to complete a thorough internal assessment of the site's cybersecurity program to determine further corrective actions to be taken to address the identified weaknesses.

TABLE OF REPORTS

INVESTIGATIVE OUTCOMES

All of our investigations that result in a reportable outcome are disclosed to the public in our Semiannual Report. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, contractor debarments, and other similar results. The following reportable outcomes occurred during the period April 1, 2019, through September 30, 2019.

SUMMARY TITLE	PAGE
Sentencing in Small Business Innovation Research Fraud and Theft of Trade Secrets Investigation	19
Sentencing in Research Procurement Fraud Investigation	19
Sentencing and Debarments Issued in Conspiracy and Bid-Rigging Investigation	19
Sentencing in Small Business Concern Fraud Scheme	20
Guilty Plea and Sentencing in Program Fraud Investigation	20
Guilty Plea and Sentencing in Personally Identifiable Information Compromise and Identity Theft Investigation	21
Civil Settlement in False Claims Investigation - NNSA	21
Civil Settlement in False Claims Investigation - Bonneville Power Administration	21
Information Filed in Weatherization Assistance Program Fraud Investigation - Florida	22
Information Filed and Guilty Plea in Weatherization Assistance Program Fraud Investigation - Michigan	22
Information and Criminal Forfeiture Action Filed in Theft of Public Money Investigation	22
Debarment Action in False Claims Investigation	23
Debarment Action in Theft of Government Property Investigation	23
Debarment Action in Grant Fraud Investigation	23
Debarment Action in Theft of Government Property Investigation - Oak Ridge Associated Universities	24

SUMMARY TITLE	PAGE
Recovery of Government Property and Administrative Action in Theft of Government Property Investigation	24
Administrative Actions in Time and Attendance Investigation	24
Recovery of Funds in Misuse of Government Resources Investigation	24
Response to Investigative Report to Management in Conflict of Interest Investigation	24
Response to Investigative Report to Management and Suspension Action in False Statements Investigation	25
Response to Investigative Report to Management in False Statements Investigation	25
Response to Investigative Report to Management in Time and Attendance Fraud Investigation	25
Non-Action by the Department Related to Investigative Report to Management Recommendation	26

AUDITS

The following identifies all audit reports issued between April 1, 2019, and September 30, 2019.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Apr 3, 2019	Leased Space at Selected Department of Energy Sites (DOE-OIG-19-25)	3				27
Apr 9, 2019	Audit Coverage of Cost Allowability for URS CH2M Oak Ridge LLC During Fiscal Years 2014 Through 2016 Under Department of Energy Contract No. DE-SC0004645 (DOE-OIG-19-26)	9		\$30,685,002		28
May 1, 2019	Followup Audit on Nuclear Material Control and Accountability Program at the Portsmouth Project (DOE-OIG-19-29)	0				28
May 8, 2019	Department of Energy's Quality Assurance: Commercial Grade Dedication of Items Relied on for Safety (DOE-OIG-19-30)	4				29
May 8, 2019	Savannah River Nuclear Solutions Subcontract Administration (DOE-OIG-19-31)	6			\$8,500,000	30
May 28, 2019	The Department of Energy's Improper Payment Reporting in the Fiscal Year 2018 Agency Financial Report (DOE-OIG-19-33)	0				31
Jun 7, 2019	Security over Industrial Control Systems at Select Department of Energy Locations (DOE-OIG-19-34)	5				31
Jun 10, 2019	The Department of Energy's Management of the ActioNet Information Technology Support Contract (DOE-OIG-19-35)	6		\$33,000,000	\$261,000,000	32
Jul 1, 2019	The Department of Energy's Wildland Fire Prevention Efforts at the National Renewable Energy Laboratory (DOE-OIG-19-37)	2				33

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Jul 2, 2019	Respiratory Equipment Maintenance at Savannah River Site (DOE-OIG-19-40)	0				34
Jul 9, 2019	Nuclear Material Control and Accountability at the Nevada National Security Site (DOE-OIG-19-41)	0				34
Jul 19, 2019	Management of a Department of Energy Site Cybersecurity Program (DOE-OIG-19-42)	3				35
Aug 6, 2019	Nuclear Material Control and Accountability at the Y-12 National Security Complex (DOE-OIG-19-43)	0				35
Aug 20, 2019	Management of Cybersecurity Activities at a Department of Energy Site (DOE-OIG-19-44)	1				36
Sep 4, 2019	The Department of Energy's Interagency Agreements (DOE-OIG-19-46)	5				36
Sep 6, 2019	Kesselring Site Engine Room Team Trainer Facility Construction Project (DOE-OIG-19-47)	0				37
Sep 9, 2019	Subcontracts for Consulting Services at Fermi National Accelerator Laboratory (DOE-OIG-19-48)	4		\$46,033		38
Sep 17, 2019	Claims Reimbursement Process for Licensees Under Title X of the Energy Policy Act of 1992 (DOE-OIG-19-49)	2				39
Sep 26, 2019	Southwestern Federal Power System's Fiscal Year 2018 Financial Statement Audit (DOE-OIG-19-51)	1				39
Sep 27, 2019	Management of Cybersecurity over Selected Information Systems at Department of Energy Headquarters (DOE-OIG-19-52)	6	\$129,086			40
Sep 30, 2019	Implementation of Employee Concerns Programs at Selected Office of Environmental Management Sites (DOE-OIG-19-55)	0				41

INSPECTIONS

The following identifies all inspection reports issued between April 1, 2019, and September 30, 2019.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Apr 19, 2019	Low Altitude Airspace Security over Select Department of Energy Sites (DOE-OIG-19-27)	1				43
Apr 25, 2019	Allegations of Improper Contracting by Southwestern Power Administration (DOE-OIG-19-28)	3				43
May 20, 2019	Mitigation of Risks from Natural Disasters at Lawrence Berkeley National Laboratory (DOE-OIG-19-32)	1				44
Jun 25, 2019	Management of Consultant Services at Los Alamos National Laboratory (DOE-OIG-19-36)	6		\$324,498		45
Jul 1, 2019	Allegations of Mismanagement at the Department of Energy's Loan Programs Office (DOE-OIG-19-38)	0				46
Jul 2, 2019	Allegations Regarding Multiple Department Employees Inappropriately Receiving Gifts (DOE-OIG-19-39)	0				46
Aug 27, 2019	Alleged Prohibited Activities and Articles at the Office of Infrastructure Security and Energy Restoration (DOE-OIG-19-45)	1				47
Sep 25, 2019	Review of Office of Intelligence Allegations (DOE-OIG-19-50)	0				48
Sep 27, 2019	The Use of Grant DE-EM0003780 by the Regional Coalition of LANL Communities (DOE-OIG-19-53)	3		\$300,000		48
Sep 30, 2019	Management of Controlled Substances at Los Alamos National Laboratory (DOE-OIG-19-54)	0				49

RESULTS

LEGISLATIVE AND REGULATORY REVIEWS

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on Departmental economy and efficiency. During this reporting period, the Office of Counsel reviewed seven LRMs, noting that we had no comment on the proposed bills/regulations and, in one case, noting that we would raise our concerns in a different forum.

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

The Department did not interfere or restrict communications between our office and Congress nor put in place any budgetary constraints designed to limit the capabilities of our office.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

During this reporting period of April 1, 2019, through September 30, 2019, access to documents the OIG believed necessary to perform work was not restricted.

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

During the reporting period April 1, 2019, through September 30, 2019, the following investigations that involved an employee at the GS-15 level or above were conducted by our Office of Investigations.

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO DOJ	DOJ DECLINATION	DECLINATION REASON
Allegation of conflict of interest and misuse of position by GS-15 employee.	Closed; unsubstantiated	No	N/A	N/A
Allegation former Executive Schedule (EX) employee violated post-employment restrictions.	Closed; unsubstantiated	No	N/A	N/A
Allegation of conflict of interest by SES employee.	Closed; unsubstantiated	No	N/A	N/A
Allegation SES employee provided false statements.	Closed; unsubstantiated	No	N/A	N/A
Allegation of illegal lobbying activities by former EX employee.	Closed; unsubstantiated	Yes	Jul 24, 2017	Lack of sufficient evidence.
Allegation SES employee interfered with a federal search warrant.	Closed; unsubstantiated	Yes	Apr 18, 2017	Lack of sufficient evidence.
Allegations of conflict of interest by EX employee.	Closed; unsubstantiated	Yes	May 9, 2019	Deferred to administrative action, if founded.

WHISTLEBLOWER ACTIVITIES

Whistleblower Matters Open as of April 1, 2019		8
Whistleblower Matters opened this period		11
Whistleblower Matters closed this period		11
Whistleblower Matters closed via Investigative Reports	1	
Whistleblower Matters closed via Letters	10	
Whistleblower Matters Open as of September 30, 2019		8

COMMENTS NOT PROVIDED WITHIN 60 DAYS

For the reporting period April 1, 2019, through September 30, 2019, there were no audit or inspection reports with comments not provided within 60 days. However, the Department failed to provide comments on the following reports and referrals within 60 days.

DATE ISSUED	INVESTIGATIVE REFERRALS	LENGTH OF TIME PENDING A RESPONSE
Sep 14, 2016	Disallowed Costs – Office of Environmental Management. Response stated Department unable to collect reimbursement due to expiration of statute of limitations under the <i>Contract Disputes Act</i> ; however, at the time of report issuance, statute of limitations had not expired on all claims and recovery of some funds would have been possible.	1080 days
Jan 22, 2019	Conflict of Interest – Office of Environmental Management	252 days (pending receipt)
Mar 26, 2019	False Claims Act Violation – Office of Environmental Management	189 days (pending receipt)
May 6, 2019	Misuse of Department Funds - Office of Environmental Management	148 days (pending receipt)

REPORTS LACKING MANAGEMENT DECISION

The Department has a system in place to track audit and inspection reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. The following audit report is over 6 months old and no management decision had been made by the end of the reporting period. An explanation for the lack of management decision is described in the table below.

DATE ISSUED	REPORT TITLE	STATUS OF MANAGEMENT DECISION
Apr 10, 2002	Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site (DOE/IG-0862)	The OIG has requested the Department temporarily delay submitting a Management Decision on the recommendations in this report, pending the outcome of an ongoing related review.

RECOMMENDATIONS NOT IMPLEMENTED

The following table identifies 56 reports with a total of 126¹ recommendations which were agreed to by the Department but have not been implemented as of September 30, 2019. The total potential cost savings associated with these reports is \$699,426,598. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. [Non-hyperlinked reports are not available on the OIG website.]

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Dec 17, 2007	Beryllium Surface Contamination at the Y-12 National Security Complex (IG-0783)	1	
Nov 13, 2009	Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program (OAS-M-10-01)	1	
Sep 22, 2010	The Department of Energy's Audit Resolution and Follow-up Process (IG-0840)	2	
Feb 20, 2013	Assessment of Audit Coverage of Cost Allowability Sandia Corporation during Fiscal Years 2009 and 2010 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-13-07)	1	\$12,760,295
Jun 24, 2013	Mitigation of Natural Disasters at Los Alamos National Laboratory (OAS-M-13-04)	1	
Feb 14, 2014	The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories (OAS-M-14-02)	1	
Apr 23, 2014	Assessment of Audit Coverage of the Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94-AL-85000, for Fiscal Years 2011 and 2012 (OAS-V-14-10)	1	\$5,741,818
Sep 24, 2014	Assessment of Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700 during Fiscal Year 2011 (OAS-V-14-17)	1	\$160,007,744

¹Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2007, the Department has only failed to agree on 4 recommendations issued by the OIG.

² A single recommendation in our reports may often be addressed to multiple program elements. The total number of open recommendations will include any recommendation that has not been corrected by at least one of the program elements.

³ The Potential Monetary Benefits identified are representative of reports with open recommendations rather than individual recommendations. These amounts include funds that could be used more efficiently by implementing the recommended actions as well as other unresolved or questioned costs. Based on our experience, a significant portion of unresolved and questioned costs are ultimately determined to be allowable by contracting officials.

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Jun 12, 2015	Southwestern Federal Power System's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-11)	1	
Jun 22, 2015	The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology (OAS-M-15-04)	1	
Jul 10, 2015	The National Nuclear Security Administration's Management of Support Service Contracts (OAS-M-15-05)	1	
Sep 3, 2015	The Department of Energy's Management of Electronic Mail Records (DOE/IG-0945)	2	
Sep 9, 2015	Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-15-03)	1	\$2,569,251
Mar 1, 2016	The Department of Energy's Audit Resolution and Followup Process (DOE-OIG-16-08)	3	
Apr 1, 2016	Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site (DOE-OIG-16-10)	1	\$183,500,000
May 2, 2016	The Department of Energy's Energy Information Technology Services Federal Support Costs (DOE-OIG-16-12)	2	
Jul 27, 2016	Battelle's Pacific Northwest National Laboratory Procurement Activities (OAI-M-16-14)	3	
Sep 29, 2016	Followup Audit of the Department's Continuity of Operations Planning (DOE-OIG-16-16)	2	
Apr 26, 2017	Department of Energy's West Valley Demonstration Project (DOE-OIG-17-05)	3	
Sep 14, 2017	Quality Assurance Management at the Waste Isolation Pilot Plant (DOE-OIG-17-07)	1	
Oct 27, 2017	Management of the National Ignition Facility and the Advanced Radiographic Capability (DOE-OIG-18-04)	3	
Dec 22, 2017	Lawrence Livermore National Security, LLC. Costs Claimed under Department of Energy Contract No. DE-AC52-07NA27344 for Fiscal Year 2015 (DOE-OIG-18-12)	2	\$1,262,455
Feb 8, 2018	The Office of Fossil Energy's Oversight of the Texas Clean Energy Project under the Clean Coal Power Initiative (DOE-OIG-18-17)	1	\$2,500,000
Feb 9, 2018	Management Letter on Southwestern Federal Power System's Fiscal Year 2016 Financial Statement Audit (DOE-OIG-18-18)	1	
Mar 5, 2018	Followup on Cooperative Research and Development Agreements at National Laboratories (DOE-OIG-18-22)	5	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Apr 26, 2018	Inquiry into an Alleged Anti-Deficiency Act Violation at the Department of Energy (DOE-OIG-18-29)	1	
Jul 16, 2018	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2017 (DOE-OIG-18-40)	2	
Aug 9, 2018	The Sandia National Laboratories Silicon Fabrication Revitalization Effort (DOE-OIG-18-42)	2	
Aug 14, 2018	Allegation Regarding the Oak Ridge Office Personnel Security Process (DOE-OIG-18-43)	1	
Sep 10, 2018	Southwestern Power Administration's Asset Protection (DOE-OIG-18-47)	3	
Oct 23, 2018	Audit Coverage of Cost Allowability for Battelle Memorial Institute Under its Contract to Manage the Pacific Northwest National Laboratory During Fiscal Years 2015 and 2016 Under Department of Energy Contract No. DE-AC05-76RL01830 (DOE-OIG-19-02)	2	
Oct 31, 2018	The Department of Energy's Funds Distribution System 2.0 (DOE-OIG-19-03)	2	
Jan 28, 2019	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2018 (DOE-OIG-19-13)	3	
Feb 6, 2019	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2018 (DOE-OIG-19-15)	8	
Feb 14, 2019	Allegations Regarding Southwestern Power Administration's Procurement of the Pathways Core Training (DOE-OIG-19-16)	2	\$17,349
Mar 20, 2019	Management Letter on the Western Federal Power System's Fiscal Year 2018 Financial Statement Audit (DOE-OIG-19-21)	5	
Mar 27, 2019	Department of Energy's Management of Legacy Information Technology Infrastructure (DOE-OIG-19-22)	1	
Mar 28, 2019	Preparedness for Firefighting Response at Los Alamos National Laboratory (DOE-OIG-19-23)	2	
Mar 29, 2019	Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2014 and 2015 Under Department of Energy Contract No. DE-AC04-94AL85000 (DOE-OIG-19-24)	1	\$5,583,067
Apr 3, 2019	Leased Space at Selected Department of Energy Sites (DOE-OIG-19-25)	2	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Apr 9, 2019	Audit Coverage of Cost Allowability for URS CH2M Oak Ridge LLC During Fiscal Years 2014 Through 2016 Under Department of Energy Contract No. DE-SC0004645 (DOE-OIG-19-26)	1	\$30,685,002
Apr 19, 2019	Low Altitude Airspace Security over Select Department of Energy Sites (DOE-OIG-19-27)	1	
Apr 25, 2019	Allegations of Improper Contracting by Southwestern Power Administration (DOE-OIG-19-28)	3	
May 8, 2019	Department of Energy's Quality Assurance: Commercial Grade Dedication of Items Relied on for Safety (DOE-OIG-19-30)	4	
May 20, 2019	Mitigation of Risks from Natural Disasters at Lawrence Berkeley National Laboratory (DOE-OIG-19-32)	1	
Jun 7, 2019	Security over Industrial Control Systems at Select Department of Energy Locations (DOE-OIG-19-34)	4	
Jun 10, 2019	The Department of Energy's Management of the ActioNet Information Technology Support Contract (DOE-OIG-19-35)	2	\$294,000,000
Jun 25, 2019	Management of Consultant Services at Los Alamos National Laboratory (DOE-OIG-19-36)	5	\$324,498
Jul 1, 2019	The Department of Energy's Wildland Fire Prevention Efforts at the National Renewable Energy Laboratory (DOE-OIG-19-37)	2	
Jul 19, 2019	Management of a Department of Energy Site Cybersecurity Program (DOE-OIG-19-42)	3	
Aug 20, 2019	Management of Cybersecurity Activities at a Department of Energy Site (DOE-OIG-19-44)	1	
Sep 4, 2019	The Department of Energy's Interagency Agreements (DOE-OIG-19-46)	5	
Sep 9, 2019	Subcontracts for Consulting Services at Fermi National Accelerator Laboratory (DOE-OIG-19-48)	4	\$46,033
Sep 17, 2019	Claims Reimbursement Process for Licensees Under Title X of the Energy Policy Act of 1992 (DOE-OIG-19-49)	2	
Sep 27, 2019	Management of Cybersecurity over Selected Information Systems at Department of Energy Headquarters (DOE-OIG-19-52)	6	\$129,086
Sep 27, 2019	The Use of Grant DE-EM0003780 by the Regional Coalition of LANL Communities (DOE-OIG-19-53)	3	\$300,000
Total Open Recommendation		126	\$699,426,598

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The Office of Inspector General had no undisclosed reports from the public for this reporting period April 1, 2019, through September 30, 2019.

PEER REVIEWS

PEER REVIEWS CONDUCTED BY OIG APRIL 1, 2019 – SEPTEMBER 30, 2019			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audits	October 2018	Department of Veterans Affairs	
Inspections	July 2019	Department of Health and Human Services	
Investigations	None this reporting period		

PEER REVIEWS CONDUCTED OF OIG APRIL 1, 2019 – SEPTEMBER 30, 2019				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audits	October 2018	Social Security Administration	At least once every 3 years	None - <i>Pass</i>
Inspections	None this reporting period			
Investigations	None this reporting period			

SUMMARIES

INVESTIGATIVE OUTCOMES

Sentencing in Small Business Innovation Research Fraud and Theft of Trade Secrets Investigation

A Department of Energy grantee was sentenced in the U.S. District Court, Western District of Virginia. The grantee was sentenced to 2 years of supervised release and ordered to pay a \$500 special assessment, after already having served 3 months incarcerated in the Roanoke City Jail and 21 months of home confinement. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the grantee, after waiving the right to a jury trial, was adjudicated guilty by the presiding District Court Judge for the Western District of Virginia on charges of Conspiracy to Defraud the United States, False Statements, and Obstruction by Falsification. The investigation also determined that the convicted grantee conspired with other employees of the grantee's company to submit false claims and false statements to the Government in relation to Small Business Innovation Research and Small Business Technology Transfer grant awards received by the company. Additionally, the investigation determined that the convicted grantee stole trade secrets from former company employees and transferred the technology overseas to entities in the People's Republic of China. This was a joint investigation with the National Science Foundation OIG and the Federal Bureau of Investigation (FBI). The most recent Department of Justice (DOJ) press release can be found [here](#).

Sentencing in Research Procurement Fraud Investigation

A former subcontract researcher, affiliated with a Los Alamos National Laboratory (Los Alamos) research subcontract, was sentenced in the U.S. District Court, District of Colorado after pleading guilty to one count each of Mail Fraud and Aiding and Abetting a Felony. The researcher was sentenced to 12 months and 1 day of incarceration, and was ordered to pay a \$3,000 fine with a \$100 special assessment fee. As previously reported in the March 31, 2018, *Semiannual Report to Congress*, the investigation determined that the researcher devised a scheme to circumvent the University of Colorado's Office of Contracts and Grants in the administration of the Los Alamos subcontract, and diverted the contract funds to a discretionary account held at the University, controlled by the researcher. The researcher then submitted false invoices requesting reimbursement for labor-related costs incurred by both the researcher and a graduate assistant, as well as tuition reimbursement for the graduate student. Though such costs were determined to be allowable under the subcontract, the investigation found that the reimbursements were not actually paid to the University but instead placed in the discretionary account and used to pay for the researcher's personal expenses, including those associated with personal international travel. As a result of the scheme, the University paid back \$185,879 in Federal funds to the Department that were determined to have been misspent. The most recent DOJ press release can be found [here](#).

Sentencing and Debarments Issued in Conspiracy and Bid-Rigging Investigation

A former construction contractor was sentenced in the U.S. District Court, Northern District of California to 12 months incarceration, followed by 3 years of supervised release, on

charges of Conspiracy to Defraud the United States and Receiving a Bribe or Reward. As reported in the March 31, 2018, and March 31, 2019, *Semiannual Reports to Congress*, the investigation determined that the contractor engaged in an illegal bid-rigging scheme to obtain a Department contract for renovation on a building at the Lawrence Berkeley National Laboratory campus in Berkeley, California. Specifically, the contractor conspired with other construction contractors to submit high bids so that a particular developer could submit the lowest bid and be awarded the contract. The investigation further determined that the indicted contractors conspired to ensure a specific developer was awarded the renovation contract in exchange for financial reward or construction work derived from that developer. Additionally, in response to an Investigative Report to Management (IRM), another contractor and company involved in the scheme were debarred for a period of 3 years. This contractor was also found guilty by trial on charges of Conspiracy to Defraud the U.S. and Conspiracy to Commit Mail and Wire Fraud, as previously reported in the March 31, 2018, *Semiannual Report to Congress*. This is a joint ongoing investigation with the FBI. The DOJ press release can be found [here](#).

Sentencing in Small Business Concern Fraud Scheme

A former contractor was sentenced in the U.S. District Court, District of South Carolina after pleading guilty to charges of Wire Fraud. The contractor received 51 months of incarceration in Federal prison and 3 years of supervised release, and was ordered to pay a \$100 special assessment fee. The investigation determined that the contractor, along with other co-defendants, conspired to establish and utilize fictitious small business concerns, not actually controlled by individuals eligible for small business set-aside funding, in order to circumvent Government procurement regulations. The co-conspirators sought to obtain small business set-aside contracts, valued in excess of \$100 million, from a broad range of Federal agencies, including the Department. The contracts included two Department subcontracts and one Department-funded contract awarded by another Federal agency. As part of the investigation, one of the co-defendants was also ordered to pay \$2,672,000 in restitution. This is an ongoing joint investigation with the U.S. Department of Agriculture OIG, Defense Criminal Investigative Service, Small Business Administration OIG, U.S. Army Criminal Investigation Division, Veterans Affairs OIG, and Air Force Office of Special Investigations. The DOJ press release can be found [here](#).

Guilty Plea and Sentencing in Program Fraud Investigation

A former executive at a not-for-profit entity pleaded guilty and was sentenced in the U.S. District Court, Eastern District of Virginia. The executive received 2 years of probation and was ordered to pay restitution in the amount of \$2,200, along with a \$25 special assessment fee. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the investigation determined that the executive set up a fraudulent not-for-profit entity and made false representations on applications submitted to the General Services Administration under the “Computers for Learning” program. The executive sought to obtain excessed Government computers and computer-related equipment from the Idaho National Laboratory (INL). Over the course of approximately 4 years, the executive fraudulently obtained excessed Government computers and computer-related equipment with an acquisition value of over \$160,000. Fifty Government laptop computers and seven

desktop computers were recovered during the investigation. The executive was also ordered to pay \$2,200 in restitution. This was a joint investigation with the General Services Administration OIG.

Guilty Plea and Sentencing in Personally Identifiable Information Compromise and Identity Theft Investigation

An individual with no affiliation with the Department pled guilty in the State of New Mexico, County of Valencia District Court to one count of Fraud Over \$2,500. The individual was sentenced to 3 years suspended sentence and 4 years of supervised release, and was required to pay \$3,469 in restitution. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the investigation determined that the personally identifiable information of approximately 50 current or former Department and NNSA employees from various sites was compromised and used in furtherance of an identity theft scheme. The scheme involved the personally identifiable information of current or former employees being utilized to fraudulently obtain credit cards, establish email addresses, and make illegal purchases using victim identities. This was a joint investigation with the U.S. Postal Inspection Service, Homeland Security Investigations, and the Valencia County Sheriff's Department.

Civil Settlement in False Claims Investigation

The DOJ entered into a \$1.6 million settlement with a former Department of Energy subcontractor to resolve allegations relating to false claims submitted to the NNSA, in the U.S. District Court, District of South Carolina. The former subcontractor misrepresented that two companies, owned by the subcontractor, were women-owned small businesses, when in fact the subcontractor served as the majority owner and manager of daily business operations for both of the companies. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the investigation determined that the subcontractor submitted a fabricated work-history profile representing work performed by the subcontractor's two companies in order to qualify the two companies as eligible subcontractors for the NNSA's Mixed-Oxide Fuel (MOX) Project at the Savannah River Site. Subsequently, the subcontractor submitted hundreds of fraudulent federally-mandated online representations and certification forms associated with the procurements awarded to the companies. The investigation further determined that the subcontractor also participated in a separate scheme to provide kickbacks and gratuities on behalf of another MOX Project subcontractor company. The subcontractor and other co-conspirators then sought reimbursement for these gratuities through submission of false invoices fraudulently representing the provision of various materials to the MOX Project. This is an ongoing joint investigation with the Federal Bureau of Investigation. The DOJ press release can be found [here](#).

Civil Settlement in False Claims Investigation

A contractor with the Bonneville Power Administration (BPA) entered into a \$5 million settlement with the U.S. Department of Justice to resolve allegations of false claims, in the U.S. District Court, Northern District of California. The contractor allegedly violated the *False Claims Act* by submitting falsified testing data for porcelain disk insulators supplied to BPA. The investigation determined the company used fraudulent data in certifying the tests had taken place, and manipulated test results by preselecting insulators that would be

known to pass onsite witness inspections. From 2000 to 2018, the company failed to conduct required design and production tests on insulators prior to its shipment to BPA but made false representations to BPA that the required testing had been completed. As part of the settlement, the company agreed to pay a civil penalty, supply BPA with additional insulators at no cost, and reimburse various BPA expenses incurred to monitor compliance of the contractor's product going forward.

Information Filed in Weatherization Assistance Program Fraud Investigation

A former not-for-profit executive director was charged by Information in the U.S. District Court, Southern District of Florida with one count of Theft from an Organization Receiving Federal Funds. The executive director managed a community action organization, which received funds from the Department under the Weatherization Assistance Program (WAP). The investigation determined that the executive director diverted approximately \$17,378 of these funds for personal use from August 2014 through August 2015. Specifically, the executive director utilized the not-for-profit's credit card to make personal charges utilizing Department funds, as well as conducting repairs on a personal residence. This is a joint investigation with U.S. Housing and Urban Development OIG and the Florida Department of Law Enforcement. The DOJ press release can be found [here](#).

Information Filed and Guilty Plea in Weatherization Assistance Program Fraud Investigation

A manager at a not-for-profit organization was charged by Information in the U.S. District Court, Western District of Michigan with Theft or Bribery Concerning Programs Receiving Federal Funds and Tax Evasion. The manager, employed by a community action entity receiving Department of Energy grant funding, embezzled WAP funds for personal use and failed to timely file tax returns with the Internal Revenue Service. The manager subsequently pleaded guilty to both felony counts.

The investigation determined that the manager stole in excess of \$300,000 in Department WAP funding, as well as funding issued by the Department of Health and Human Services through the Low Income Home Energy Assistance Program, by submitting false invoices to the community action organization for reimbursement utilizing Federal funds. These invoices reflected fraudulent expenses for the supposed provision of materials to actual weatherization projects. The manager then diverted the funds issued by the community action organization for personal use. In addition to the above, the State of Michigan's Department of Human Services issued a letter to the community action organization demanding the return of \$321,284. This is an ongoing joint investigation with the Internal Revenue Service Criminal Investigation Division, Department of Health and Human Services OIG, and the FBI.

Information and Criminal Forfeiture Action Filed in Theft of Public Money Investigation

A former subcontractor employee was charged by Information with Theft of Public Money in the U.S. District Court, Western District of Pennsylvania. The Information alleges that from January 2016 to December 2017, the former employee, while still employed as a Federal subcontractor, utilized credit cards belonging to the contractor company, as well as

various vendor purchase orders, to make unauthorized purchases for personal use totaling approximately \$250,000. The former subcontractor employee was also terminated as a result of the investigation. The former employee was also subject to criminal forfeiture derived from the sale of several firearms and related equipment the employee acquired with funds derived from proceeds of the criminal activity. This is an ongoing joint investigation with the FBI.

Debarment Action in False Claims Investigation

In response to an IRM, the Department's Office of Policy, Office of Acquisition Management debarred a former owner of an INL vendor company for a period of 3 years. In addition, and also in response to the IRM, the Office of Acquisition Management entered into an Administrative Compliance Agreement for 3 years with the vendor company. The Administrative Compliance Agreement includes plans for creation of a corporate code of ethics, the appointment of a company compliance and ethics officer, and the appointment of an external compliance monitor. As previously reported in the March 31, 2018, *Semiannual Report to Congress*, the investigation determined that the owner of the INL vendor company submitted false claims, expressing that the company had clear title to items sold to the INL, when in fact the items were paid for and owned by the company owner's former employer. The vendor company's owner pleaded guilty to one count of false claims in the U.S. District Court, District of Idaho and was sentenced to 1 year of incarceration, including 6 months of Federal detention and 6 months of home detention, as well as 3 years of supervised release. Additionally, the owner was ordered to pay \$337,000 in restitution, \$5,000 in fines, and \$100 in special assessment fees. A copy of the DOJ press release can be found [here](#).

Debarment Action in Theft of Government Property Investigation

In response to an IRM, the NNSA's Office of Acquisition and Project Management concurred with the OIG's recommendations and debarred a former Lawrence Livermore National Laboratory (Livermore Laboratory) contractor employee. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the former Livermore Laboratory contractor employee pleaded guilty in Alameda County, California District Court to two state felony charges of Grand Theft and Embezzlement, was sentenced to 120 days incarceration and 5 years of probation, and ordered to pay restitution in the amount of \$19,875. The former Livermore Laboratory contractor employee admitted to stealing numerous Government-purchased Freon-cylinder containers from Livermore Laboratory, valued at \$795 each, for personal use and for resale online.

Debarment Action in Grant Fraud Investigation

In response to an IRM, the Department debarred the Chief Executive Officer of a Department grant recipient company. The Department awarded the company and a co-conspirator a grant under the *American Recovery and Reinvestment Act of 2009* (Recovery Act), valued at \$2.5 million, to perform energy efficiency retrofits and upgrades to a biodiesel plant owned by the co-conspirator. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the investigation determined that, during the performance of the grant, the company's grant administrator and co-conspirator issued false documents to receive reimbursement. These included fraudulent monthly progress

reports, checks, and payment request summary forms, submitted by the company's grant administrator and co-conspirator for the purpose of stealing \$2.32 million in Department grant funding. This is an ongoing joint investigation with the U.S. Secret Service.

Debarment Action in Theft of Government Property Investigation

In response to an IRM, a former contractor employee at Oak Ridge Associated Universities (ORAU) was debarred for a period of 3 years. As previously reported in the March 31, 2019, *Semiannual Report to Congress*, the former ORAU contractor employee was convicted and sentenced by the State of Tennessee, County of Anderson, 7th Judicial District, to 4 years of imprisonment and 6 years of probation for stealing GPS units belonging to ORAU. The employee was also previously suspended by the Department, and had been terminated from employment for acts unrelated to the investigation. In addition to the previous conviction, the investigation determined the former contractor employee had also stolen and sold for personal gain 7,000 pounds of lead material belonging to the Department, at a replacement value of \$11,000.

Recovery of Government Property and Administrative Action in Theft of Government Property Investigation

As a result of an OIG investigation, an NNSA contractor took administrative action against a contractor employee, placing the employee on paid administrative leave. The investigation has determined that the contractor employee took multiple pieces of Government property from Los Alamos without authorization and sold the items on eBay. Over 300 pieces of Government-owned property were recovered from the contractor employee's residence. This is an ongoing investigation.

Administrative Actions in Time and Attendance Investigation

As a result of an OIG investigation, a contractor to the NNSA took several administrative actions against 61 contractor employees. The investigation determined that several employees of a major Department contractor at the Pantex Plant allegedly claimed multiple hours on their time and attendance reports for hours they did not work. As a result of the OIG investigation, the contractor placed the three employees on paid administrative leave. This is an on-going investigation.

Recovery of Funds in Misuse of Government Resources Investigation

As a result of an OIG investigation, the prime contractor for the Department's Idaho Cleanup Project reimbursed the Department a total of \$65,436. The contractor provided the reimbursement following the OIG's findings, which determined that a subcontractor employee misused Government resources. The subcontractor employee was also terminated. The investigation, which is ongoing, determined that the subcontractor employee used Government time and resources to operate the employee's private business.

Response to Investigative Report to Management in Conflict of Interest Investigation

In response to an IRM issued to the Department's Under Secretary of Science, a prime contractor concurred with the OIG's recommendations and ended its affiliation with several contractor officials. The investigation determined the existence of conflicts of interest and false statements made by officials associated with the prime contractor; a

subsidiary of the prime contractor's parent company; a waste transportation subcontractor; and a former Department Senior Executive Service Manager of Environmental Management. The results of the IRM were also placed in each of the contractor employees' security files. No actions were taken against the former Senior Executive Service Manager of Environmental Management. As previously reported in the March 31, 2018, *Semiannual Report to Congress*, the manager and owner of the former waste transportation subcontractor pled guilty to one count of Conspiracy to Defraud the Government and sentenced in the U.S. District Court, Eastern District of Tennessee to 1 year and 1 day of incarceration and 3 years of probation, and ordered to pay \$2.3 million in restitution with a \$100 special assessment fee. This is an ongoing joint investigation with the Internal Revenue Service Criminal Investigations Division and the FBI.

Response to Investigative Report to Management and Suspension Action in False Statements Investigation

In response to an IRM, the Deputy Associate Administrator for the NNSA complied with the OIG's recommendation and notified cognizant security personnel regarding a former contractor employee of Los Alamos. The contractor employee was suspended from Federal procurement and non-procurement programs, pending the completion of ongoing legal proceedings in the U.S. District Court, District of New Mexico. The investigation determined that the former Los Alamos employee provided false statements to Federal investigators when questioned about involvement in China's Thousand Talents Program. This is an ongoing joint investigation with the FBI.

Response to Investigative Report to Management in False Statements Investigation

In response to an IRM, the NNSA's Deputy Associate Administrator for Acquisition and Project Management, and the Kansas City Field Office Site Manager, concurred with the OIG's recommendation to provide a security clearance notification to NNSA for a senior contractor employee. The investigation determined that the contractor employee made false statements regarding the nature of that employee's relationship with a foreign national. The investigation determined that the contractor employee provided false statements on a security clearance form, made false statements under oath to an Office of Personnel Management investigator, made false statements to FBI Special Agents, and made false statements to Department security personnel.

Response to Investigative Report to Management in Time and Attendance Fraud Investigation

In response to an IRM, the NNSA's Office of Secure Transportation (OST) complied with a recommendation to consider administrative action and initiate a security clearance review for an OST employee who submitted time and attendance claims for 1,296 hours, valued at \$85,063, for work that could not be substantiated. As a result, the employee was suspended without pay for 14 days and was placed on paid administrative leave while a final security clearance determination was made. In response to the IRM, OST also implemented procedures to improve OST's timekeeping policy and practices for all of its personnel.

Non-Action by the Department Related to Investigative Report to Management Recommendation

In response to an IRM, the Acting Director of the Department's Environmental Management Consolidated Business Center (EMCBC) provided the OIG with a memorandum stating that it was unable to collect over-billed long-term contractor per diem reimbursement costs as recommended by the OIG. The Acting Director informed the OIG that the collection of reimbursement was not possible because the EMCBC was time-barred under the *Contract Disputes Act*. The OIG's Office of Counsel found that, while there may have been limitations on recovering some of the recommended disallowed costs, the majority of the costs could have been recovered were it not for the inaction of the EMCBC. The investigation determined that the former West Valley Demonstration Project prime contractor paid long-term contractor per diem to employees of a radiological remediation subcontractor in violation of contract terms and received a total of \$1,803,925 for the payments after invoicing the Department.

AUDIT REPORTS

Leased Space at Selected Department of Energy Sites

The Department maintains an inventory of approximately 21,000 real property assets covering an estimated 131.4 million square feet. The inventory is comprised of real property that is either owned or leased by the Department, General Services Administration, and Department contractors. The Office of Asset Management has responsibility for establishing policy, guidance, and oversight for the Department's real and personal property. The Office of Asset Management's Senior Real Property Officer, who also is the Director of the Office of Asset Management, has overall responsibilities for monitoring and reporting on the real property inventory. Program offices are responsible for identifying and developing real property requirements as well as the execution of acquisition and disposal transactions.

The Department's corporate real property inventory system is the Facilities Information Management System (FIMS), which stores real property asset data and is required to be kept current throughout its lifecycle. FIMS is a real-time database used to make decisions regarding real property management and for reporting information to the General Services Administration, Office of Management and Budget, Congress, and the taxpayers. According to FIMS data as of July 2018, the Department maintained approximately 15 million gross/rentable square feet of leased space, costing approximately \$314 million in annual rent; this total included space that was leased directly by the Department, through the General Services Administration, or by the Department's contractors. Due to the amount of leased space, we conducted this audit to determine whether the Department and its contractors managed leases at selected sites in accordance with applicable regulations and policies.

We found that the Department and its contractors were generally managing leases at selected sites in accordance with applicable regulations and policies. However, our audit identified two issues regarding the reporting of leased space by the Department's contractors: (1) contractor leased space information within the Department's FIMS for some of the leased facilities reviewed was not always complete and accurate, and (2) contractors at the Hanford Site had not properly classified 25 leased trailers as real property. The misclassification of leased trailers occurred because site office and contractor officials at the Hanford Site were unclear of the requirement to re-classify personal property trailers as real property once the trailers became affixed to the ground or permanently attached to utilities. Furthermore, inaccurate and incomplete information contained within FIMS occurred because contractor leased space had not always been entered correctly or consistently. Therefore, we made two recommendations to address the issues related to the re-classification of trailers and FIMS data, as well as a third recommendation to specifically address the issues related to trailers at the Hanford Site.

Audit Coverage of Cost Allowability for URS | CH2M Oak Ridge LLC During Fiscal Years 2014 through 2016 under Department of Energy Contract No. DE-SC0004645

The East Tennessee Technology Park, formerly the Oak Ridge Gaseous Diffusion Plant, began operations during World War II as part of the Manhattan Project. As the mission of Department changed, operations at the plant ceased, and the Department began a massive environmental remediation effort. In 2011, the Department contracted with URS | CH2M Oak Ridge LLC (UCOR) for the completion of the decontamination, demolition, and environmental remediation of the East Tennessee Technology Park under a Cost-Plus-Award-Fee contract that included performance based incentives. As a management and operating contractor, UCOR's financial accounts are integrated with those of the Department. Therefore, we conducted this assessment to help ensure that audit coverage of cost allowability was adequate for FYs 2014 through 2016. Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by UCOR's Internal Audit (Internal Audit) for FYs 2014 through 2016 could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, except for the treatment of unsupported subcontract costs. Additionally, we found that UCOR conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor.

During FYs 2014 through 2016, Internal Audit identified \$390,928 of questioned costs through various audits, all of which had been resolved. Internal Audit also identified \$5,667,791 in unsupported costs for a \$30,685,002 subcontract, which were not explicitly questioned or provided to the Contracting Officer for an allowability determination. Subsequent to Internal Audit's work, the results of an Office of Inspector General criminal investigation were made public through a Department of Justice press release impacting a UCOR subcontractor — Transportation, Operations and Professional Services, Inc. (TOPS). The Department of Justice stated that the former operator of TOPS was found guilty of using an elaborate system of false invoices and cash payments to channel funds to the son of UCOR's President. Accordingly, there is an increased risk of fraud and an increased risk that unallowable costs were charged to the TOPS subcontract. However, subsequent to the results of the investigation, Internal Audit has not performed any additional audit work pertaining to the TOPS subcontract; thus, we consider the entire \$30,685,002 unresolved pending a final audit by Internal Audit.

Although we ultimately determined that we could rely on Internal Audit's work, we identified issues that need to be addressed prior to the Contracting Officer making a final determination of allowability for FYs 2014 through 2016. Therefore, we made nine recommendations to help ensure that only allowable costs are claimed by and reimbursed to the contractor.

Followup Audit on Nuclear Material Control and Accountability Program at the Portsmouth Project

The Portsmouth Gaseous Diffusion Plant (Portsmouth) operated as a uranium enrichment facility from 1954 to 2001. Subsequently, the Department began an extensive cleanup of the site once the gaseous diffusion process was no longer operational. The

decontamination and decommissioning contractor was required to develop, implement, and maintain a Nuclear Material Control and Accountability (MC&A) Program consistent with Department Order 474.2, Nuclear Material Control and Accountability, which required that accurate records of nuclear materials be maintained and physical inventories be conducted to provide assurance that nuclear material was not missing.

In our prior report, *Alleged Nuclear Material Control and Accountability Weaknesses at the Department's Portsmouth Project* (INS-O-15-04, May 2015), we found that improvements could be made to increase confidence that nuclear material was accounted for and that any compromises to tamper-indicating devices protecting nuclear material were replaced in a timely manner. We initiated this follow up audit to determine whether the Nuclear Material Control and Accountability Program had (1) adequate controls for accountability and accessibility of nuclear material, and (2) implemented corrective actions related to recommendations in our prior report.

Nothing came to our attention during our review to indicate that the Portsmouth MC&A Program had not implemented adequate controls for the accountability and accessibility of nuclear materials. Further, we concluded that the corrective actions taken to address the recommendations made in our prior inspection report ensured that the Portsmouth MC&A Program was meeting Departmental requirements. Specifically, the physical inventories we observed and our review of the tamper-indicating device program revealed proper implementation of site procedures. Similarly, our audit work revealed that the materials accounting system was capable of tracing material and included documentation supportive of transactions tested.

Department of Energy's Quality Assurance: Commercial Grade Dedication of Items Relied on for Safety

The Department of Energy is responsible for the construction and operation of nuclear facilities across its complex. To ensure these facilities operate safely, the Department and many of its contractors are required to develop and implement a quality assurance program in accordance with the American Society of Mechanical Engineers' Quality Assurance Requirements for Nuclear Facility Applications (NQA-1). However, the Department and its contractors had experienced difficulty finding suppliers that were NQA-1 qualified, which required the Department to increasingly depend on a process known as "commercial grade dedication" (CGD). CGD is a procurement process performed in accordance with NQA-1, which provides reasonable assurance that a commercial item or service will perform its intended safety function and is equivalent to an item or service provided under a NQA-1 quality assurance program.

In 2009 and in 2015, the Department's Office of River Protection reported significant issues with the implementation of CGD by Bechtel National, Inc., the contractor responsible for the construction and commissioning of the Waste Treatment and Immobilization Plant (WTP) project, and Parsons Government Services, Inc., the contractor responsible for the construction and commissioning of the Salt Waste Processing Facility (SWPF) project.

Since both WTP and SWPF are nuclear facilities, the Department required its contractors to apply NQA-1 during construction. Due to the importance of nuclear safety, we initiated this audit to determine if the implementation of CGD of commercial items and services at the Department's WTP and SWPF projects was effective.

Our review identified weaknesses in the implementation of CGD procurements at the Department's WTP and SWPF projects. Specifically, our review identified weaknesses in the dedication acceptance process performed in accordance with NQA-1 and the Department's guidance. We concluded that the issues identified with implementation of CGD at WTP and SWPF were the result of weaknesses in Department oversight to ensure the contractors followed NQA-1 standards. In particular, the Department did not ensure consistent oversight across its complex. Additionally, we identified that the contractors did not effectively implement contractor quality assurance programs. While our findings are specific to the WTP and the SWPF, insufficient oversight may be a problem at other Department sites.

Weaknesses in the Department's CGD program limit its ability to provide reasonable assurance that items and services meet the requirements for safe operation. Therefore, an ineffective CGD program can impact the safety of the facility, the worker, and the public, as well as result in additional costs to resolve issues or concerns. Although the Department has taken positive steps to address some of the weaknesses identified, we believe that additional steps are needed to ensure that CGD and quality assurance requirements are met for all future Department operations. Accordingly, we made four recommendations to ensure effective CGD across the Department's complex.

Savannah River Nuclear Solutions Subcontract Administration

Savannah River Nuclear Solutions (SRNS) is the current management and operating contractor for the Department's Savannah River Site. As such, SRNS is responsible for environmental cleanup, national security activities, and operation of the Savannah River National Laboratory. The SRNS contract with the Department establishes requirements for purchasing goods and services. SRNS is required to ensure the acquisition of quality products and services at fair and reasonable prices through the use of effective competitive procurement techniques. We initiated this audit to determine whether SRNS appropriately acquired goods and services at the Savannah River Site in select subcontract procurements.

Based on our analysis of select SRNS subcontract procurements, we concluded that, in some instances, SRNS had not appropriately acquired goods and services at the Savannah River Site. Specifically, our review of 26 judgmentally selected procurements of goods and services found issues related to proper invoicing, lease-versus-purchase procurements, and timely closeout of subcontracts. Additionally, we found that matters identified in reviews conducted by the Department's Savannah River Operations Office, Contracts Management Division had not been effectively mitigated.

As noted in this report, SRNS has taken some mitigating actions to address the issues identified in our review. However, Savannah River Operations Office has not taken formal action to address all of these issues. Therefore, we made six recommendations to the

Savannah River Operations Office to ensure the acquisition of quality products and services at fair and reasonable prices through the use of effective competitive procurement techniques.

The Department of Energy's Improper Payment Reporting in the Fiscal Year 2018 Agency Financial Report

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) was signed into law on January 10, 2013, amending the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Information Act of 2002. The Office of Management and Budget (OMB) issued Memorandum M-18-20, Appendix C to Circular A-123, Requirements for Payment Integrity Improvement, as implementation guidance to Federal agencies for IPERIA in June 2018. While all three laws are still in effect, the agency Inspector General guidance included in OMB Memorandum M-18-20 focuses on compliance with IPERA. The Department's Office of Finance and Accounting, a component of the Office of the Chief Financial Officer (OCFO), communicated instructions for meeting improper payment and payment recapture audit requirements, prescribed by OMB Circular A-123, to its 48 payment reporting sites. Consistent with this guidance, the Department's reporting sites performed an improper payment risk assessment in FY 2018 that was consolidated at the Department level for reporting. OMB requires the Office of Inspector General to perform an annual review of the Department's improper payment reporting in its Agency Financial Report, and accompanying materials, to determine whether the Department was compliant with IPERA. The objective of this audit was to determine whether the Department met the OMB criteria for compliance with IPERA.

We found that the Department's FY 2018 improper payment reporting was in accordance with OMB criteria. Specifically, the Department published an Agency Financial Report for FY 2018 and posted that report, as well as accompanying materials, on its website. While we determined that the Department met the criteria for compliance with OMB, we found that one OCFO process improvement related to our prior year's report was still ongoing. Our current review found that the Department may benefit from more transparency with reporting site improper payment percentage data. We suggested that all OCFO planned process improvements are implemented in a timely manner.

Security over Industrial Control Systems at Select Department of Energy Locations

Successful cyber or physical attacks on industrial control systems can have significant impacts to operations and safety and result in costly recovery. The Federal Government has increased efforts to ensure agencies identify and protect these types of systems. The Department utilizes industrial control systems and/or high value assets to support its missions related to energy, scientific research, environmental cleanup, and national security. While prior reviews have identified physical and cybersecurity weaknesses on various types of information systems, the Department's Office of Inspector General has conducted limited testing related to the industrial control systems that manage critical operations. Our annual evaluation report related to the Department's implementation of the Federal Information Security Modernization Act of 2014 continues to identify weaknesses related to the Department's business systems but does not typically include

the review of industrial control systems. We initiated this audit to determine whether the Department implemented security controls over selected industrial control systems in accordance with established requirements.

We found that the Department had not always implemented security controls over selected industrial control systems in accordance with established requirements. The Department continues to make improvements related to its cybersecurity program; however, we noted that additional efforts were needed to ensure that security controls were implemented to protect industrial control systems. Specifically, we found that some locations reviewed had not always developed complete inventories of industrial control systems or had not appropriately categorized the impact of industrial control systems to external systems and the Department's mission in accordance with Federal requirements. In addition, at some locations, we identified weaknesses related to documentation of security controls for industrial control systems, vulnerability management, and physical and/or logical access control.

Without improvements to the cybersecurity programs at the locations reviewed, information systems and data may be exposed to a higher than necessary level of risk of compromise, loss, modification, or non-availability. For example, inappropriate system categorization can result in less stringent application of cybersecurity requirements, leaving the information system and its data at a higher risk of negative operational impact, including potentially impairing mission accomplishment. Furthermore, the Department's operations could be negatively affected without sufficient security measures, such as effective continuous monitoring processes, in place. As such, we have made five recommendations that, if fully implemented, could improve security controls over industrial control systems.

The Department of Energy's Management of the ActioNet Information Technology Support Contract

The Department's Office of the Chief Information Officer (OCIO) is tasked with information technology (IT) responsibilities that include maintaining a technical architecture, procurement of IT goods and services, project management, and cybersecurity. Under the cognizance of the OCIO, the Energy Information Technology Services support function is responsible for administering technology services such as system and data hosting, network and video services, telecommunications, and enterprise applications such as electronic mail services. To support the OCIO's mission, the Department awarded a cost-plus-fixed-fee contract to ActioNet, Inc. in October 2011 to provide IT support services to the OCIO and other Department programs and field sites. The contract was awarded with a 2-year base period and a 2-year option period with a ceiling value of approximately \$485 million. Although the contract was expected to be re-competed in April 2016 after the full option period was exhausted, it was extended several times. Currently, the contract is extended through April 2019, and the ceiling value has increased to approximately \$1.2 billion.

Since at least FY 2010, Office of Inspector General identified contract management as a significant challenge at the Department. For instance, our most recent report on

Management Challenges at the Department – Fiscal Year 2019 (DOE-OIG-19-07, November 2018) identified weaknesses with contract oversight, including subcontractor management. Due to continuing IT and contract management challenges, we initiated this audit to determine whether the ActioNet IT support contract was properly managed in accordance with Federal laws and regulations and Department requirements.

We found that the Department had not effectively managed the ActioNet IT support contract in accordance with Federal and Department requirements. In particular, the Department may have spent significantly more than necessary for direct labor costs over the life of the contract as a result of inadequate management of the contract. In addition, the use of subcontractors by ActioNet increased exponentially from what was initially anticipated, without adequate procedures in place to ensure that the need for additional subcontractors was warranted or that costs were fair and reasonable. Furthermore, multiple extensions to the period of performance, which were considered significant changes to the ActioNet contract, were not supported by documentation or other appropriate contract management actions.

Without significant improvements, the Department may continue to encounter weaknesses related to managing and overseeing the ActioNet contract, as well as future IT contracts. The problems identified during our review placed the Department at an increased risk of misusing taxpayer dollars and reimbursing costs that may not be allowable, reasonable, or necessary. As noted in our report, we determined that the Department may have spent at least \$33 million more than necessary over the life of the contract for direct labor and related fees. We also questioned the approximately \$261 million paid for subcontractor labor due to the lack of documentation to support cost reimbursements. In light of the weaknesses identified, we made six recommendations that, if fully implemented, should help the Department improve IT contract management activities.

The Department of Energy’s Wildland Fire Prevention Efforts at the National Renewable Energy Laboratory

The Department’s Golden Field Office is responsible for overseeing the management and operating contract with the Alliance for Sustainable Energy, LLC (contractor) who operates the National Renewable Energy Laboratory (NREL). The NREL is the Department’s primary national laboratory dedicated to researching and developing renewable energy and energy efficiency technologies. The NREL’s South Table Mountain and National Wind Technology Center campuses are the two main areas where research operations are conducted. Portions of both campuses border on large tracts of open space that contain vegetation known to be a wildland fire hazard.

While NREL has not been impacted by any major wildland fires, Jefferson County, CO, where NREL’s campuses reside, has experienced several large wildland fire events in recent years. Given the risk posed by wildland fire to NREL’s facilities and workforce, we initiated this audit to determine whether the Golden Field Office and the contractor were taking necessary actions to identify possible hazards associated with and mitigate the impacts of wildland fire.

Our review found that the contractor had taken actions to identify and mitigate possible hazards associated with the impacts of wildland fire. However, we observed areas related to Golden Field Office's execution of the contract and oversight of the contractor that need to be improved to ensure that NREL facilities and personnel are adequately protected from fire-related events, including wildland fire. Specifically, we found that Golden Field Office and contractor personnel may not be assessing all risks associated with the fire protection program at NREL. We also found that Golden Field Office officials had not participated in the development and implementation of mutual assistance agreements with State, Tribal, and local authorities, as required.

To ensure that the Department's mission and assets are fully protected from fire-related events, enhancements to the contractor's fire protection programs are needed. Therefore, we made two recommendations that, if fully implemented, should help ensure that NREL is adequately protected.

Respiratory Equipment Maintenance at Savannah River Site

The Savannah River Site is a Department industrial complex responsible for disposition of nuclear materials, waste management, environmental cleanup, and environmental stewardship. As such, the Savannah River Site processes and stores nuclear materials in support of national defense and U.S. nuclear nonproliferation efforts. The Respiratory Protection Program was one of the largest safety and health programs at the Savannah River Site. The Savannah River Respiratory Protection Program provided technical support to respiratory users and equipment issuers; evaluated new respiratory equipment technologies; and maintained respiratory equipment. We initiated the audit to determine whether the Savannah River Site was adequately maintaining respiratory protection equipment to protect workers from exposure to hazardous materials. This report is one in a series of reports at select Office of Environmental Management sites.

We did not identify any instances during our review where the Savannah River Site did not adequately maintain respiratory protection equipment to protect workers from exposure to hazardous materials. Specifically, Savannah River Site's Respiratory Protection Program established maintenance procedures, which were performed by Respiratory Equipment Facility personnel to adequately assemble, inspect, and test equipment. We also determined that employees were up-to-date on their respiratory protection training requirements as of the date of our review. We did not make any recommendations or suggestions since nothing came to our attention to indicate that the Savannah River Site had not adequately maintained respiratory protection equipment.

Nuclear Material Control and Accountability at the Nevada National Security Site

The Department's capability to deter, detect, and assist in the prevention of theft or diversion of nuclear material is critical for national security. The National Nuclear Security Administration's (NNSA) Nevada National Security Site stores and executes experiments using nuclear materials in support of the Nation's nuclear security mission. Nevada National Security Site's Management and Operating contract required the site to develop and maintain a Material Control and Accountability (MC&A) Program consistent with the requirements of Department Order 474.2, Nuclear Material Control and Accountability. Because of the

importance of the MC&A Program to national security, we initiated this audit to determine whether the Nevada National Security Site's MC&A Program had adequate controls for accountability and accessibility of nuclear material. This report is one in a series of three reports at select NNSA sites.

We did not identify any instances of control weaknesses in the Nevada National Security Site's MC&A Program over accountability and accessibility of nuclear material during our review. Specifically, our review of the accounting system showed that it was capable of tracing material and included documentation supportive of transactions tested. In addition, our observation of the physical inventory process showed proper implementation of site procedures. Based on our audit work, we did not make any recommendations since nothing came to our attention that indicated the site had not implemented an MC&A Program with adequate controls for accountability and accessibility of nuclear material.

Management of a Department of Energy Site Cybersecurity Program

Public Law enacted by Congress required the Department to solidify and dispose of radioactive waste, decommission the facilities used in this process, and return control of the site to the state of record. To support its environmental cleanup mission, the site reviewed uses various types of information systems. The Federal Information Security Modernization Act of 2014 requires each Federal agency to develop, document, and implement an enterprise-wide cybersecurity program to protect systems and data that support the operations and assets of an agency, including those provided or managed by contractors. We initiated this audit to determine whether the site managed its cybersecurity program in accordance with Federal and Department requirements.

We found that the site had not fully implemented its cybersecurity program in accordance with Federal and Department requirements. We identified weaknesses related to vulnerability and configuration management, logical and physical access controls, contingency planning, and continuous monitoring. As a result, the integrity, confidentiality, and availability of systems and data managed by the site may be impacted by the vulnerabilities identified during our review. To help improve the management of the site's cybersecurity program, we issued a detailed report to the site's Director that included three recommendations.

Due to the sensitive nature of the vulnerabilities identified during our audit, the report issued to the Department was for Official Use Only. We provided site and program officials with detailed information regarding vulnerabilities that we identified.

Nuclear Material Control and Accountability at the Y-12 National Security Complex

The Department's capability to deter, detect, and assist in the prevention of theft or diversion of nuclear material is critical for national security. The National Nuclear Security Administration's (NNSA) Y-12 National Security Complex (Y-12) processes and stores uranium, and other nuclear materials, in support of the Nuclear Security Enterprise mission. NNSA's Office of Security Operations and Programmatic Planning's Material Control and Accountability (MC&A) Program provides for the control and accountability of nuclear materials. Y-12's Management and Operating contract required the site to develop

and maintain an MC&A Program consistent with the requirements of Department Order 474.2, Nuclear Material Control and Accountability. Because of the importance of the MC&A Program to national security, we initiated this audit to determine whether Y-12's MC&A Program had adequate controls for accountability and accessibility of nuclear material. This report is one in a series of three reports at select NNSA sites.

We did not identify any instances of control weaknesses in Y-12's MC&A Program over accountability and accessibility of nuclear material during our review. Specifically, our review of the accounting system showed that it was capable of tracing material and included documentation supportive of transactions tested. In addition, our observation of the physical inventory process showed proper implementation of site procedures. Based on our audit work, we are not making any recommendations since nothing came to our attention that indicated Y-12 had not implemented an MC&A Program with adequate controls for accountability and accessibility of nuclear material.

Management of Cybersecurity Activities at a Department of Energy Site

In January 2019, we initiated a review to determine whether the selected Department location had effectively managed its cybersecurity program. During the course of our test work, we noted several areas of immediate concern. Due to the nature of the work conducted at the site and the use of systems that have mission critical and safety significant functions, we are issuing this management alert to ensure that management is provided with the opportunity to initiate immediate actions to address risks identified within the site's cybersecurity program.

Preliminary results of test work conducted at the site revealed potentially significant cybersecurity vulnerabilities on the site's general support system, including major financial management and safety applications. During the course of our audit to date, we have issued 11 recommendations to the site's manager to help improve its cybersecurity programs. Our management alert also included a recommendation to the Under Secretary for Science. Management concurred with the recommendations and indicated that corrective actions were planned to mitigate the findings identified during our preliminary review.

Due to the sensitive nature of the vulnerabilities identified during our audit, the management alert issued to the Department was for Official Use Only. We provided site and program officials with detailed information regarding the vulnerabilities that we identified.

The Department of Energy's Interagency Agreements

The Economy Act of 1933 (Economy Act) provides authority for Federal agencies to acquire goods and services through interagency agreements, if those goods or services cannot be provided as conveniently or at a lower price by commercial enterprises. The Department can enter into two types of agreements: interagency acquisitions and interagency transactions. In both cases, the servicing agency may charge a fee for the assistance, such as a percentage of the contract value or an itemized charge for services. The Department may

enter into interagency agreements as either the requesting agency or the servicing agency. In some cases, the Department enters into agreements on behalf of the management and operating (M&O) contractors that manage its sites.

Between FYs 2012 and 2017, the Department paid approximately \$9.7 billion to other agencies on 1,585 interagency agreements for goods, services, and fees. Given the amount of funding involved, we initiated this audit to determine whether the Department's use of interagency agreements complied with applicable regulations and Department policies. We found the Department could not demonstrate that its use of interagency agreements fully complied with applicable regulations and Department policies.

These issues occurred because procurement officials that we spoke to did not believe that they were required to document acquisition planning in the file or obtain support for costs incurred. Consequently, the Department had no assurance that it took the best procurement approach to meet its mission needs. Additionally, there was no assurance that the interagency agreement costs represented appropriate project efforts or that costs were appropriately charged to the Department.

Without adequate acquisition planning, the Department may not have acquired goods and services as conveniently or economically as possible by using interagency agreements, totaling approximately \$149 million, instead of using a commercial enterprise. During our audit, Department officials told us that they perceived interagency agreements as having very little risk since other Federal agencies have no profit motive. Despite the lack of profit motive, the consideration of alternative sources for interagency transactions or market research for interagency acquisitions confirms the cost effectiveness of using the other agencies' contracts or procurement functions.

To address the issues identified in our report, we made recommendations to the Department. Management generally concurred with our recommendations and identified actions it would take to address them. Management's proposed actions are responsive to our recommendations.

Kesselring Site Engine Room Team Trainer Facility Construction Project

The Department's Kenneth A. Kesselring Site (Kesselring Site), located in West Milton, New York, is part of the Naval Nuclear Laboratory. The Kesselring Site's primary mission is to train nuclear officers and enlisted personnel to operate the United States Navy's nuclear-powered aircraft carriers and submarines. A new facility is being constructed to provide space for simulation equipment to support student training. The new facility, the Kesselring Site Engine Room Team Trainer Facility (Facility), has a total project cost of \$41 million and beneficial occupancy 1 is expected to be achieved by December 31, 2019. The Facility is being constructed by P. J. Dick Incorporated, the subcontractor, under a firm-fixed price subcontract managed by Fluor Marine Propulsion, LLC (FMP), the Naval Nuclear Laboratory management and operating contractor.

Department Order 413.3B, Program and Project Management for the Acquisition of Capital Assets, provides program and project management direction for the acquisition of capital

assets with the goal of delivering projects within the original performance baseline 2 cost and schedule and fully capable of meeting mission performance. Generally, the Order requires the Department to establish a performance baseline and controls to monitor project progress. We conducted this audit to determine whether the Department is on track to meet its construction goals for the Facility.

We found that the Department appeared to be on track to meet its construction goals for the Facility. As required by Department Order 413.3B, Program and Project Management for the Acquisition of Capital Assets, the Department had established a performance baseline for the Facility as well as controls to monitor project progress. Specifically, the Facility was progressing in accordance with the current approved baseline schedule, cost, and scope requirements. We also determined that the Department had implemented several project management practices to monitor the Facility's progress. For example, the FMP Subcontractor Technical Representative (STR) closely monitored Facility construction status; FMP project management used schedule and cost tracking tools as well as performed detailed invoice reviews; and the subcontractor, FMP, and the Department were in frequent communication with each other.

Because nothing came to our attention to indicate that the Department would not meet its construction goals for the Facility, we are not making any recommendations.

Subcontracts for Consulting Services at Fermi National Accelerator Laboratory

Since January 2007, Fermi Research Alliance, LLC (FRA) has been the management and operating contractor at the Fermi National Accelerator Laboratory for the Department's Office of Science. In support of the laboratory's mission to drive discovery by building and operating world-leading accelerator and detector facilities, performing pioneering research, and developing new technologies for science, FRA often relied on consultants to obtain specialized services. FRA used subcontracts to commit resources and formalize its relationships with consultants. The Department relied on FRA to conform to applicable acquisition regulations and the terms and conditions of its management and operating contract when managing and administering its subcontracts for consulting services. We initiated this audit to determine if FRA had managed a select sample of its subcontracts for consulting services in compliance with applicable requirements.

Based on our analysis of 19 subcontracts awarded for consulting services valued at \$2.2 million, we determined that FRA had not fully complied with applicable requirements in administering these subcontracts, and we questioned the allowability of \$46,033.27 in costs associated with certain noncompliances. Specifically, we found that FRA, which used subcontracts to obtain consulting services, had accepted invoices from its consultants that often lacked sufficient detail to support the services rendered, had not ensured that sole source justifications were clearly documented and approved, and had inappropriately allowed consultant services to be performed prior to a valid subcontract being in place, otherwise referred to as "after-the-fact" procurement actions. Additionally, we noted that FRA had not always included the required conflict of interest provisions or certificates of insurance in the subcontracts. Finally, FRA had not ensured that it had appropriately

documented the scopes of work for consulting services. We made four recommendations to ensure that costs incurred are reasonable and allowable and to ensure that subcontracts for consulting services are in compliance with applicable requirements.

Claims Reimbursement Process for Licensees Under Title X of the Energy Policy Act of 1992

From 1942 through 1970, the U.S. Army Manhattan Engineer District and the Atomic Energy Commission entered into several contracts with commercially operated mills to purchase uranium concentrate in support of U.S. defense programs. The owners of these mills were considered licensees under the Atomic Energy Act. Because of the limited knowledge of the radiological hazards created by the resulting mill process wastes, these contracts lacked provisions for managing and remediating wastes. In 1992, Congress passed Title X of the Energy Policy Act of 1992 (Title X), which established the authority and framework for providing Federal assistance for the remediation of contamination at active uranium and thorium sites.

Title X required the Department to administer all claims related to active uranium and thorium licensees. In addition, 10 CFR Part 765, Reimbursement for Costs of Remedial Action at Active Uranium and Thorium Processing Sites, provided the Department with claim approval authority for the reimbursement program. Specifically, this regulation authorized the Department to verify the appropriateness of costs claimed by auditing supporting documentation prior to approving claims for reimbursement. We initiated this audit to determine whether the Department obtained assurance that only reimbursable costs were paid to licensees for the Federal portion of cleanup costs incurred under Title X.

For the purposes of this audit, we reviewed the claim review process for the 2016 and 2017 financial and technical reviews. Based on our audit, we believe that the Department has provided assurance that only reimbursable costs were paid to licensees for the Federal portion of cleanup costs. However, our audit identified an instance after the claim review was conducted where a licensee was not reimbursed the appropriate amount. We made two recommendations to ensure adequate oversight over the Title X program continues in the future and to increase the likelihood that only accurate payments are made to licensees.

Southwestern Federal Power System's Fiscal Year 2018 Financial Statement Audit

The attached report presents the results of the independent certified public accountants' audit of the Southwestern Federal Power System's combined balance sheets, as of September 30, 2018, and 2017, and the related combined statements of changes in capitalization, revenues and expenses, and cash flows for the years then ended.

To fulfill our audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP to conduct the audit, subject to our review. KPMG LLP concluded that the combined financial statements present fairly, in all material respects, the respective financial position of Southwestern Federal Power System as of September 30, 2018, and 2017, 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 the review, KPMG LLP also considered Southwestern Federal Power System's internal control 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 one significant deficiency in internal control over accrued expenses where goods and services were not properly accrued. KPMG LLP made one recommendation to enhance existing procedures and related controls to ensure all material procurement of goods and services received prior to period-end are timely and accurately accrued.

Southwestern Power Administration management agreed with the finding and recommendation and indicated that corrective actions would be taken. The audit disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Management of Cybersecurity over Selected Information Systems at Department of Energy Headquarters

The Department operates a variety of information technology systems and infrastructure to support its diverse missions, each of which has its own unique characteristics and demands. The Office of the Chief Information Officer (OCIO) is responsible for helping to protect the confidentiality, integrity, and availability of data and information systems operated at Department Headquarters. To aid in this effort, the OCIO manages the Energy Information Technology Services to support program and staff offices at Headquarters and select field sites. While the OCIO is the primary entity responsible for information technology operations at Headquarters, several other program offices also have significant information technology investments and resources at that location.

The Federal Information Security Modernization Act of 2014 requires each Federal agency to develop, document, and implement an enterprise-wide cybersecurity program to protect systems and data that support the operations and assets of an agency. However, prior Office of Inspector General reports have highlighted cybersecurity weaknesses across the Department, including various types of weaknesses at Headquarters. Furthermore, we received an allegation that software and hardware utilized by the OCIO had no manufacturer support or updates/patches, which presented a security risk to the Department. We initiated this audit to determine whether the Department managed cybersecurity over selected Headquarters information systems in accordance with Federal and Department requirements.

We found the Department had not fully managed cybersecurity for selected Headquarters information systems in accordance with Federal and Department requirements. In particular, our testing of three information systems managed by the OCIO, Energy Information Administration, and the Office of the Chief Financial Officer identified weaknesses related to system and information integrity, system and services acquisition, security planning, access controls, and configuration management.

The issues we identified occurred, in part, because of various program-specific internal control weaknesses related to each of the information systems reviewed.

Without improvements, the systems reviewed and the data they contain will continue to be at a higher-than-necessary risk of compromise, loss, or modification. To help improve the management of the Department's cybersecurity program, we issued a detailed report to the OCIO, Energy Information Administration, and the Office of the Chief Financial Officer that included six recommendations. Management concurred with the recommendations and indicated that corrective actions were underway or planned to mitigate the findings identified in the report.

Due to the sensitive nature of the vulnerabilities identified during our audit, the report issued to the Department was for Official Use Only. We provided OCIO, Energy Information Administration, and Office of the Chief Financial Officer officials with detailed information regarding vulnerabilities that we identified.

Implementation of Employee Concerns Programs at Selected Office of Environmental Management Sites

The Department's Office of Environmental Management (Environmental Management) mission is the safe cleanup of the environmental legacy resulting from 5 decades of nuclear weapons development and Government-sponsored nuclear energy research. Two Environmental Management sites with active cleanup operations are the Savannah River Site near Aiken, South Carolina, and the Idaho National Laboratory Site near Idaho Falls, Idaho. Savannah River Nuclear Solutions, LLC (SRNS), with Savannah River Operations Office oversight, manages cleanup at the Savannah River Site. Fluor Idaho, LLC (Fluor Idaho), with Idaho Operations Office oversight, currently manages cleanup at the Idaho National Laboratory Site.

Department Order 442.1A, Department of Energy Employee Concerns Program, established an employee concerns program (ECP) to ensure that employee concerns related to the environment, safety, health, and management of Department programs and facilities are addressed in an independent, timely, and objective manner. The Department's ECP is designed to encourage free and open communication without the fear of reprisal. Both SRNS's and Fluor Idaho's contracts require establishing their own ECPs to support the Department's ECP. We initiated this audit to determine whether ECPs of select Environmental Management contractors addressed employees' concerns in a timely, thorough, and objective manner.

Nothing came to our attention to indicate that SRNS's and Fluor Idaho's ECPs did not address concerns in a timely, thorough, and objective manner. Generally, we found that SRNS's and Fluor Idaho's ECPs adequately handled the concerns officially filed by employees. Also, although we did not evaluate the actions ultimately taken to address substantiated concerns, there was documentation in the ECPs' files that provided evidence that the concerns were tracked to closure. However, during our review, we noted an opportunity that could improve the overall effectiveness of ECPs at both SRNS and Fluor Idaho. Specifically, we found that SRNS and Fluor Idaho could better foster environments of free and open expression of concerns, a key aspect of an effective ECP.

Department leadership has communicated its commitment to the safety of its workforce, the public, and the environment. In a March 2019 memorandum announcing improvements to the Department's ECP, the Deputy Secretary of Energy stated that Federal and contractor employees are important to identifying and reporting conditions that could affect the quality or safety of operations. In addition, the goal of fostering an environment that encourages free and open expression of employee concerns is essential to the safe and efficient accomplishment of the Department's missions. The contractors' ECPs are essential to achieving this goal because of their direct support of the Department's ECP. The issues identified in this report do not warrant specific corrective actions, and accordingly, we are not making formal recommendations. However, it is clear that additional management attention and focus to this important area may be prudent. We suggest that management direct the contractors to develop action plans to improve the environment for free and open communication and address negative employee perceptions of their respective ECPs. Although this audit was limited to two Environmental Management contractor operations, we believe that any actions taken should be promulgated throughout the entire Environmental Management complex.

INSPECTION REPORTS

Low Altitude Airspace Security over Select Department of Energy Sites

In recent years, Unmanned Aerial Systems (UAS), commonly known as “drones,” are becoming increasingly popular. The increasing availability and improved capabilities of small UAS enhances the potential for use in illicit operations, including surveillance, disruption, and weaponization. The Office of Environment, Health, Safety and Security is the author of the Department’s security directives, which are overseen by Federal personnel and implemented by the Department’s security contractors. We conducted this inspection to determine whether the Department has effective controls to address UAS encounters.

We determined that the Department has not made a threat determination on UAS utilizing the most current information pertaining to UAS capabilities; therefore, the Department may not have effective controls in place to address such encounters. Specifically, based on information available as of 2016, the Department did not deem UAS as an attack platform in Department Order 470.3C, Design Basis Threat. Utilizing the information available at the time, the Office of Environment, Health, Safety and Security determined that UAS were not likely to be used in an attack against Department assets. However, more current information has heightened the Office of Environment, Health, Safety and Security’s concerns regarding the rapid increase in technology, opportunity, and availability of UAS.

It is essential that effective security controls are in place at Department sites to protect against UAS, and ultimately, to protect the overall security of the Department’s interests. Accordingly, to ensure that the potential risks from UAS are adequately addressed, we recommended that the Office of Environment, Health, Safety and Security make a determination on the criticality of UAS threats and ensure that the Department uses the appropriate process to update security controls based on the most recent information available concerning UAS capabilities.

Allegations of Improper Contracting by Southwestern Power Administration

The Southwestern Power Administration (Southwestern), established as a Federal agency in 1943, operates as part of the Department of Energy under the authority of Section 5 of the Flood Control Act of 1944. Southwestern’s mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives.

The Division of Power Marketing and Transmission Strategy (Power Marketing Division) is responsible for contracting for the sale, exchange, transmission, or purchase of power and energy governed by Section 5 of the Flood Control Act of 1944. It also handles interconnection agreements for electrical system integration, where other transmission providers interconnect their lines to Southwestern’s transmission lines. Southwestern’s Division of Acquisitions and Facilities Services is responsible for all acquisitions of goods, services, construction, and real property under Federal Acquisition Regulations and Department of Energy Acquisition Regulations, except where expressly excluded; this division is also responsible for property management acquisitions, permits, licenses, easements, disposals, and leases of general office space.

We received multiple allegations, from various complainants, of improper contracting activities at Southwestern. For the purposes of this inspection, we summarized the details into nine allegations. Seven of the allegations questioned activities of Southwestern's Power Marketing Division. The remaining two allegations were related to Southwestern's former Administrator and Southwestern's transmission line services. We initiated this inspection to determine the facts and circumstances surrounding these allegations.

We substantiated four of the allegations related to activities of Southwestern's Power Marketing Division and could not substantiate the remaining five allegations. We could not substantiate the allegations that the Power Marketing Division improperly procured equipment for the Jonesboro substation, procured equipment for the Water Valley switching station, or granted the right to place equipment at the Jonesboro substation. Additionally, we were unable to substantiate the allegations that Southwestern's former Administrator attempted to circumvent the normal procurement process for acquiring office space or that Southwestern improperly provided transmission line services outside its territory.

The improper contracting activities we substantiated occurred because the Power Marketing Division lacked formalized policies and procedures that clearly outlined its authorities, limitations, and review processes for making agreements. In addition, Southwestern's prior practices and beliefs influenced contracting activities. As a result of these improper contracting activities, Southwestern circumvented Federal procurement and real estate regulations designed to ensure the Government's interests were protected and costs were reasonable. Therefore, we made three recommendations that, if implemented, would help ensure that these events do not occur in the future.

Mitigation of Risks from Natural Disasters at Lawrence Berkeley National Laboratory

The Department's Lawrence Berkeley National Laboratory (Berkeley Laboratory) is charged with conducting unclassified research across a wide range of scientific disciplines. Located on a 202-acre site in the hills adjacent to the University of California Berkeley campus and within yards of the Hayward Fault, Berkeley Laboratory is at risk for a variety of natural disasters, including earthquakes and wildland fires. In August 2017, an arsonist caused a wildland fire in the hills near Berkeley Laboratory, and in January 2018, a magnitude 4.4 earthquake occurred near Berkeley Laboratory and the surrounding area. A natural disaster occurrence could considerably impact Berkeley Laboratory and the surrounding communities. Because of the potential impact a natural disaster could have on the site, Berkeley Laboratory must have an Emergency Management System ready to respond promptly, efficiently, and effectively to any emergency involving Department facilities, activities, or operations. We initiated this inspection to determine if Berkeley Laboratory implemented required planning and coordination activities for responding to and recovering from operational emergencies.

We found that Berkeley Laboratory generally implemented the planning and coordination activities that were required by Department and site policy. However, we identified issues with the hazardous material screening process, protective action drills, and building emergency

plans that needed improvement. The issues that we identified occurred, in part, because Berkeley Laboratory did not maintain an accurate and timely method for tracking changes in operations and processes involving hazardous materials. Additionally, Berkeley Laboratory did not consistently implement its policy of notifying the Emergency Management Program of specific hazardous materials when procured. Finally, there was a lack of prioritization by line management. Therefore, we recommended developing and implementing a corrective action plan to enhance Berkeley Laboratory's ability to protect workers, the public, and the environment.

Management of Consultant Services at Los Alamos National Laboratory

From June 1, 2006, to October 31, 2018, Los Alamos National Security, LLC (LANS) operated Los Alamos National Laboratory (Los Alamos) for the National Nuclear Security Administration. Los Alamos' primary mission is its national security responsibilities, which include the design, qualification, certification, and assessment of nuclear weapons. Los Alamos is one of the largest science and technology institutes in the world, and it conducts multidisciplinary research in fields such as national security, space exploration, renewable energy, medicine, nanotechnology, and supercomputing. To accomplish its mission, LANS procures consultant services through the Acquisition Services Management division.

LANS had 74 active consultant agreements during FYs 2014, 2015, and 2016, with associated incurred costs totaling approximately \$3.4 million. The Federal Acquisition Regulations require specific controls for consultant services, such as examining reasonableness of cost, monitoring contract limitations, and ensuring invoices include sufficient detail as to the nature of actual services performed. We have identified issues with consultant services at Los Alamos in the past. We initiated this inspection to determine whether LANS effectively managed its consultant services.

We found that LANS did not always effectively manage its consultant services. During our review of pre-award activities for all 74 consultant agreements, nothing came to our attention that would indicate significant concerns or weaknesses. However, during our review of post-award activities in a sample of consultant agreements, we found that LANS did not always monitor consultant agreements for contract limitations and did not always ensure that invoices included sufficient detail as to the nature of the actual services provided prior to approval. Additionally, we found that LANS procured consultant services through guest agreements and task orders, which did not have internal controls to ensure the costs were allowable per Federal Acquisition Regulations. We questioned a total of \$324,498 in consultant service costs, directly relating to these concerns.

These conditions occurred due to lack of adherence to internal policies and Federal regulations. Further, the Federal Los Alamos Field Office did not provide adequate oversight over LANS' use of consultant services. We made six recommendations to improve controls and oversight of consultant agreements and to determine the allowability of questioned costs.

Allegations of Mismanagement at the Department of Energy’s Loan Programs Office

The Department’s Loan Programs Office (LPO) finances large-scale energy infrastructure projects in the United States. LPO works closely with industry to bridge gaps in the commercial debt market when innovative technologies or unfamiliar borrowers may not be well understood by the private sector. LPO has approved more than \$30 billion of loans and loan guarantees for more than 30 projects related to energy infrastructure, manufacturing of electric vehicles, and new energy technology through its Title XVII Innovative Clean Energy Projects and Advanced Technology Vehicles Manufacturing loan programs.

We received allegations regarding specific instances of improper obligation and spending of funds by LPO. We initiated this inspection to evaluate allegations that LPO: (1) unnecessarily obligated/overfunded a support services contract by \$3 million before the end of FY 2018 to avoid losing funds; (2) wasted funds on another contractor that was hired to conduct an Equal Employment Opportunity investigation when there were resources within the Department and conduct a cultural survey that was meant to skew the results of a negative Federal Employee Viewpoint Survey; (3) wastefully used funds for decorative office items and services including a coat rack, rug, plants, and a plant watering service; and (4) reimbursed a \$600 hotel room and attempted to hide a conference room expense during travel.

We did not substantiate any of the allegations regarding improper obligation and spending of funds. However, during the course of our inspection, we noted an area of concern for management’s consideration. In particular, during our review of contract funding actions and purchase card transactions, we found that LPO did not have formal written policies and procedures to guide employees through the request, approval, and funding/acquisition process. Because we did not substantiate the allegations regarding improper obligation and spending of funds, and LPO is taking action to strengthen internal controls in the area of concern we identified, we did not make any recommendations.

Allegations Regarding Multiple Department Employees Inappropriately Receiving Gifts

The mission of the Department’s Office of Environmental Management (Environmental Management) is to address the Nation’s Cold War environmental legacy resulting from five decades of nuclear weapons production and Government-sponsored nuclear energy research. Within Environmental Management, the Los Alamos Field Office is tasked to safely and efficiently complete the cleanup of legacy contamination and waste resulting from nuclear weapons development and research at Los Alamos National Laboratory. To help accomplish its cleanup mission, Environmental Management issues grants to non-Federal entities.

Environmental Management’s Consolidated Business Center is responsible for awarding and overseeing Environmental Management grants. On September 30, 2015, Environmental Management’s Consolidated Business Center awarded the Regional Coalition of LANL [Los Alamos National Laboratory] Communities (RCLC) a 5-year,

\$500,000 grant. Environmental Management’s Consolidated Business Center provided grant funds to RCLC to promote environmental protection, economic development, and regional planning, and to allow RCLC to evaluate policy initiatives and legislative impacts on its members.

We received a Hotline complaint concerning alleged ethics violations by multiple Department employees, including three specific Department officials. The complaint stated that Department employees misused their positions by inappropriately accepting meals and by attending a sporting event with tickets purchased by RCLC, a Department grant recipient. We initiated this inspection to determine the facts and circumstances surrounding the allegations.

We found no evidence to substantiate the allegations that Department employees inappropriately accepted meals and sporting event tickets purchased by RCLC. Because the allegations were not substantiated, we made no recommendations or suggested actions. However, when reviewing the RCLC grant funding information provided by the Department, we did identify potential concerns regarding the Department’s oversight and management of the grant awarded to RCLC. A separate inspection is in process to assess the use of grant funds by RCLC.

Alleged Prohibited Activities and Articles at the Office of Infrastructure Security and Energy Restoration

We received allegations related to alcohol in the Department of Energy’s James Forrestal Headquarters facility, specifically that: (1) a senior Infrastructure Security and Energy Restoration Division (ISER) official had hosted several “happy hour” events in the Headquarters facility that included the consumption of alcoholic beverages; and (2) on March 9, 2016, Protective Force officers discovered alcohol in two senior ISER officials’ offices. During our initial assessment of the complaint, an additional allegation surfaced regarding perceived preferential treatment of the senior officials involved with the alleged alcohol. We initiated this inspection to determine the facts and circumstances surrounding the allegations.

We determined that the senior ISER official had obtained proper approval to bring alcoholic beverages into the Department’s Headquarters facility for several “happy hour” events. However, we determined that the senior ISER official had not removed the alcoholic beverages from the building after the conclusion of each approved event in accordance with Department policy and, as a result, on March 9, 2016, Protective Force officers confiscated the leftover alcohol from two senior officials’ offices. Regarding the potential preferential treatment concerns, a Department Ethics official determined that based on the evidence presented, preferential treatment was not proven.

While corrective actions taken by both the Office of Administration and the Office of Environment, Health, Safety and Security were positive actions, we made one recommendation aimed at improving internal controls over the confiscation and disposition of unauthorized alcohol at Headquarters.

Review of Office of Intelligence Allegations

The Department's Office of Intelligence and Counterintelligence (Intelligence) is responsible for all intelligence and counterintelligence activities throughout the Department, including nearly 30 intelligence and counterintelligence offices nationwide. Intelligence contributes to national security by leveraging the Department's scientific and technological expertise in support of policymakers, as well as national security missions in defense, homeland security, cyber security, intelligence, and energy security.

We received allegations that: (1) Intelligence management possibly violated internal and intelligence community policies regarding the handling of a thumb drive; and (2) Intelligence management may not have reported a missing classified hard drive at a field site. We initiated this inspection to determine the facts and circumstances surrounding the allegations.

We did not substantiate the allegations. Regarding the potential mishandling of a thumb drive, we found that Intelligence management had not violated policies. At the time of our review, the information on the thumb drive had not been uploaded or assessed. Concerning the second allegation, we verified that an internal investigation was conducted at the time the hard drive was discovered missing, and a report was subsequently issued. We reviewed the report, which concluded that based on available evidence, the matter was likely to have been an administrative error and that the hard drive had been destroyed without proper documentation.

Based on discussions with a senior Intelligence official, we were told that the Intelligence Director is in the process of reviewing roles and responsibilities to clearly define functions for his divisions. As a result of management's ongoing actions, we did not make any recommendations or suggestions.

The Use of Grant DE-EM0003780 by the Regional Coalition of LANL Communities

The mission of the Department's Office of Environmental Management (Environmental Management) is to address the Nation's Cold War environmental legacy resulting from 5 decades of nuclear weapons production and Government-sponsored nuclear energy research. Environmental Management's Los Alamos Field Office is tasked to safely and efficiently complete the cleanup of legacy contamination and waste resulting from nuclear weapons development and research at the Los Alamos National Laboratory. To help accomplish its cleanup mission, Environmental Management issues grants to non-Federal entities. Environmental Management's Consolidated Business Center (CBC) is responsible for awarding and overseeing Environmental Management grants.

On September 30, 2015, the Environmental Management CBC awarded the Regional Coalition of LANL [Los Alamos National Laboratory] Communities (RCLC) a 5-year, \$500,000 grant (grant number DE-EM0003780). The Environmental Management CBC provided grant funds to RCLC to promote environmental protection, economic development, and regional planning, and to allow the RCLC to evaluate policy initiatives and legislative impacts on its members.

We initiated this inspection after obtaining information indicating that the RCLC may have misspent Department grant funds. A separate inspection was initiated to determine the facts and circumstances of an allegation that Department employees accepted meals and sporting event tickets purchased by the RCLC. The objective of our inspection was to determine if the RCLC properly accounted for and used Department grant funding in accordance with Federal requirements and the terms of the grant, and whether the Department's oversight was effective.

We found that the RCLC did not properly account for Department grant funds or use the funds in accordance with Federal requirements and the terms of the grant; in addition, we found that the Department did not provide effective oversight of RCLC's spending and activities. The RCLC comingled Department funds with funds received from other sources and subsequently engaged in activities prohibited by the U.S. Code and the terms of the grant agreement. Due to the comingling of funds, RCLC could not demonstrate how Department funds were used, and we were unable to determine the extent to which RCLC spent Department funds on allowable activities. As a result, we are questioning \$300,000 in Department grant funds, for which the Department should seek appropriate reimbursement. We made three recommendations related to recovering allowable questioned costs and to improving Department oversight of RCLC's spending and activities.

Management of Controlled Substances at Los Alamos National Laboratory

The Department's Los Alamos National Laboratory (Los Alamos) is part of the National Nuclear Security Administration's nuclear security enterprise. The primary mission at Los Alamos is to solve national security challenges through scientific excellence. Los Alamos executes work in all of the Department's missions: national security, science, energy, and environmental management, as well as research and development for agencies such as the Department of Defense and the Intelligence Community.

As part of its work, Los Alamos conducts research involving controlled substances. Controlled substances are managed under several Federal laws and regulations. Due to the potential safety and health risks associated with controlled substances, we initiated this inspection to determine if Los Alamos National Laboratory, operated by Los Alamos National Security, LLC, managed controlled substances in accordance with applicable Federal laws and regulations.

We found that Los Alamos had not managed controlled substances in accordance with applicable Federal laws and regulations. Our inspection also found that Los Alamos possessed mislabeled procurement records, inaccurate inventories, and retained controlled substance inventories well beyond the conclusion of experiments. We determined that Los Alamos did not have appropriate institutional processes, procedures, or controls in place to monitor, track, account for, and dispose of controlled substances. Without centralized policy guidance and monitoring, Los Alamos cannot fully ensure that controlled substances are managed from procurement to disposition appropriately.

In response to Office of Inspector General concerns, Los Alamos identified corrective actions. Specifically, as of January 2019, Los Alamos drafted and approved an institutional policy for the management of controlled substances. This new policy particularly

addresses procurement, inventory management, and disposition of controlled substances, which includes additional levels of review and accountability. Since Los Alamos is moving forward to address our concerns, we did not make any formal recommendations, but we suggest that Los Alamos implements its new institutional controlled substances policy and completes an initial evaluation of the policy's effectiveness.

SEMIANNUAL REPORTING REQUIREMENTS INDEX

The following identifies the sections of this report that address each of the reporting requirements prescribed by the Inspector General Act of 1978, as amended.

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ABOUT THE DEPARTMENT AND OIG

The U.S. Department of Energy is headquartered in Washington, DC and currently operates the Energy Information Administration, the National Nuclear Security Administration, 21 preeminent research laboratories and facilities, four power marketing administrations, nine field offices, and 10 Program Offices which help manage the Department's mission with more than 15,000 employees. The Department is the Nation's top sponsor of research and development and has won more Nobel Prizes and research and development awards than any other private sector organization and twice as many as all other Federal agencies combined. The mission of the Department is to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions.

The OIG's mission is to strengthen the integrity, economy and efficiency of the Department's programs and operations. The OIG has the authority to inquire into all Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of "eyes and ears" to evaluate management practices. With approximately 280 employees, the organization strives to be a highly effective organization that promotes positive change.

OIG HOTLINE CONTACTS

Contact the OIG Hotline if you suspect fraud, waste or abuse involving Department programs or by a Department employee, contractor or grant recipient.

Contact Information:

- Complaint Form: <https://www.energy.gov/ig/complaint-form>
- Toll Free Telephone Number: 1-800-541-1625
- Washington DC Metro Telephone Number: 202-586-4073
- Email Address: ighotline@hq.doe.gov
- Physical Address: U.S. Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

FEEDBACK

The contents of this Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please provide the following information by clicking the “submit email” button below:

- Name
- Telephone Number
- Comments/Suggestions/Feedback

