

U.S. Department of Energy

Office of Inspector General



Semiannual Report to Congress

October 1, 2019 - March 31, 2020



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MESSAGE FROM THE INSPECTOR GENERAL

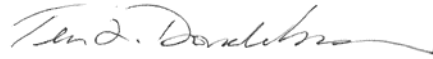
As we approach the halfway point of fiscal year 2020 (FY 20), we continue to focus on the oversight of contract and subcontract management. Our office is taking a close look at the Department's Cooperative Audit Strategy, incurred cost audit coverage over non-management and operating (M&O) contractors, and audit coverage over subcontracts. We've issued multiple audit reports identifying weaknesses in contractor internal controls, weaknesses in internal audit processes, noncompliance with cost accounting standards by contractors, and a lack of subcontract audits. During this reporting period, through our focus on CAS, and along with our other audits and inspections, we identified almost \$50 million in questioned and unsupported costs.

Our Office of Investigations recovered over \$30 million, securing 18 indictments and 8 convictions, and putting forth 27 suspensions and debarments. We saw a conviction in a complex fraud case that involved violations of the Foreign Corrupt Practices Act during the transport of sensitive nuclear materials between the United States and Russia. We secured two indictments involving the theft of grant funds by participants in foreign state-sponsored talent recruitment programs and opened over a dozen such investigations this fiscal year to protect our Nation's vital research and development dollars and programs from foreign threats. We also saw a number of sentencing in embezzlement cases involving the Department's Weatherization Assistance Program, which is especially egregious in light of the fact that these funds are intended for our most vulnerable communities.

Our Office of Technology, Financial, and Analytics maintained its focus on both the health of the Department cybersecurity programs and the availability of data to support audits, inspections, and investigations in an effort to reduce fraud, waste, and abuse within the Department. The Technology team issued reports focused on vulnerabilities identified and made recommendations to improve the overall effectiveness of information technology systems and networks. The Analytics team provided support to ongoing initiatives within the Office of Inspector General (OIG) focused on contract and subcontract management. The work performed by the Office of Technology, Financial, and Analytics will allow the Department to make more data-driven and informed decisions.

Our newest office, the Office of Inspections, Intelligence Oversight, and Special Projects, continues to focus on its new mission and to provide vital support to our Offices of Audits and Investigations. During the reporting period, this group initiated several projects in support of our Office of Investigations and our Office of Technology, Financial, and Analytics, including an inspection related to Employee Concerns Programs and mandatory disclosures. While still in its first year, the Office of Inspections, Intelligence Oversight, and Special Projects has also worked diligently with the Department to build the intelligence oversight arm of our office.

Through our initiatives in the last 6 months, we are continuing to see positive change in FY 20. I am proud of how the OIG has responded to the recent challenges posed by COVID-19 and adjusted to operating in this new environment. Our workforce has rapidly adapted to teleworking while continuing to fulfill our mission and obligations. I continue to be inspired by all of our OIG employees and those I've had the pleasure of working with throughout the Department. I look forward to another great year as we continue our critical mission to support the American taxpayers.



Teri L. Donaldson

STATISTICAL HIGHLIGHTS

INVESTIGATIONS

INVESTIGATIVE ACTIVITIES

Cases Open as of October 1, 2019	194
Cases Opened	47
Cases Closed	50
Cases Open as of March 31, 2020	191
Multi-Agency Joint Cases Opened During Period	7
Qui Tam ¹ Investigations Opened During Period	2
Total Open Qui Tam Investigations as of March 31, 2020	15
Total Investigative Reports ² Issued During Period	10
Administrative Discipline and Other Management Actions	270
Suspensions/Debarments	27
Total Persons ³ Referred to a Prosecuting Authority	20
Department of Justice Referrals	17
State/Local Referrals	3
Referrals Accepted for Prosecution ⁴	15
Total Indictments ⁵ /Criminal Informations	18
Indictments/Criminal Informations Resulting from Prior Period Referrals	17
Criminal Convictions	8
Pre-Trial Diversions	0
Civil Actions	15
Dollars Recovered ⁶ (Fines, Settlements, Recoveries)	\$30,055,940
Savings/Funds Put to Better Use ⁷	\$1,891,382

¹For more information on Qui Tam cases, go to: <https://www.justice.gov/archives/jm/criminal-resource-manual-932-provisions-handling-qui-tam-suits-filed-under-false-claims-act>.

²Investigative Reports issued by the Office of Investigations include Reports of Investigation and Investigative Reports to Management.

³Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

⁴Some referrals accepted during the 6-month period were referred for prosecution during a previous reporting period.

⁵Sealed Indictments are included.

⁶Some of the money collected was the result of investigations involving multiple agencies.

⁷ Investigation resulted in cancelling of Department award, which returned grant funds to the program office for future research funding.

STATISTICAL HIGHLIGHTS

AUDITS AND INSPECTIONS

AUDITS AND INSPECTION ACTIVITIES

Audit Reports Issued	32
Inspection Reports Issued	5
Total Reports Issued	37

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 March 31, 2020: ¹	5	\$24,333,179
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made):	0	\$0
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period: ²	1	\$129,086
(i) Agreed to by management:		\$129,086
(ii) Not agreed to by management:		\$0
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:	4	\$24,204,093

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, 2020: ¹	18	\$698,622,626	\$262,259,561	\$960,882,187
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made):	7	\$40,195,791	\$342,245	\$40,538,036
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period: ²	3	\$54,714	\$1,259,561	\$1,314,275
(i) Value of disallowed costs:		\$28,197	\$1,732	\$29,929
(ii) Value of costs not disallowed:		\$26,517	\$1,257,829	\$1,284,346
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period:	22	\$738,763,703	\$261,342,245	\$1,000,105,948

Definitions:

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

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:

- On October 28, 2019, the Cognizant Personnel Security Office (CPSO) at the Oak Ridge Office was merged with the Chicago Office CPSO as part of the Office of Science, Consolidated Service Center, and the Office of Safeguards, Security, and Emergency Management was renamed as the Safeguards and Security Division. To standardize the process and correspondence used by Personnel Security Specialists in the Administrative Review process, coordination has begun with the Office of Departmental Personnel Security and the respective Offices of Chief Counsel at Chicago and Oak Ridge. The goal is to adopt the best practices and develop new standard operating procedures to create a consistent operational approach. The new CPSO uses the Case Action Tracking System as the single personnel security case management system. Personnel Security Specialists have assigned roles in the Case Action Tracking System, based upon demonstrated competence; however, they cannot take adverse adjudicative actions (such as a clearance suspension) without obtaining supervisory concurrence. The Personnel Security Specialists also completed PER-310-DE, Personnel Security Annual Refresher Training, in December 2019. This annual training provided by the Department's National Training Center focused on reviewing information related to the Security Executive Agent Directive 4 – National Security Adjudicative Guidelines (SEAD 4), specifically Adjudicative Guidelines C (Foreign Preference), H (Drug Involvement and Substance Misuse), and I (Psychological Conditions). This training also helps to establish consistency in application of the National Adjudicative Guidelines.
- In response to an OIG referral, the Office of Environmental Management (Environmental Management) conducted a review into allegations that two Department employees in Oak Ridge, Tennessee (a father and son) had engaged in a conflict of interest when on numerous occasions the son performed assessments for areas wherein his father was responsible. Subsequent to the review by Environmental Management, the allegation was substantiated. Environmental Management obtained information during its review which reflected that the son had been a team member on multiple assessments that involved his father. Environmental Management acknowledged that the matter presented a question of impartiality and has implemented measures to prohibit future involvement by the son in programs under his father's responsibility. Further, Environmental Management is conducting a full assessment of all employees to identify and address like occurrences.
- The Department took immediate action to ensure the incorporation of the 41 United States Code (U.S.C.) 4712 Enhanced Whistleblower Protection clause into two contracts, one with Bechtel National, Inc. and the other with URS-CH2M Oak Ridge LLC. We had identified during our inspection that both contracts did not contain the clause. The clause provides enhanced protections to contractor, subcontractor, and grantee employees who reasonably believe they experienced reprisal as a result of disclosing certain wrongdoing to specified entities and individuals.

- Based on an OIG referral, Environmental Management conducted a review into allegations that a Department employee created a hostile work environment by insulting, belittling, and being belligerent to contractor employees. The allegation was substantiated by Environmental Management during its review. Environmental Management obtained evidence during its review that the conduct of the Department employee was severe and pervasive enough to create a work environment that a reasonable person would consider intimidating, hostile, or abusive. The subject employee resigned before any administrative actions could be considered.
- As a result of an Investigative Report to Management (IRM), a former subcontractor employee and two of the subcontractor's companies were debarred from receiving Federal funds or contracts. The investigation determined that since 2001, the former subcontractor employee's two companies sold in excess of \$1.2 million in products to the Department's Oak Ridge National Laboratory and Y-12 National Security Complex. The investigation also determined that the former subcontractor employee was aware of a requirement to file income taxes for the companies as a prerequisite for doing business with the Federal Government. The subcontractor employee omitted a total of \$5,589,514 in gross receipts and \$1,165,923 in net income from Federal income tax filings. The former subcontractor employee pleaded guilty in the U.S. District Court, Eastern District of Tennessee to one count of Tax Evasion and was sentenced to 1 year of home confinement and 5 years of probation. The former subcontractor employee was also ordered to pay \$813,891.42 in restitution, a \$10,000 fine, and a \$100 special assessment fee. This was a joint investigation with the Internal Revenue Service Criminal Investigation Division.
- Two Department grant recipients and their two companies were debarred, prohibited from contracting and engaging in other covered transactions with any Federal agency for a period of 5 years. As previously reported in the March 31, 2016, and March 31, 2018, *Semiannual Reports to Congress*, both grant recipients pleaded guilty in the U.S. District Court, Western District of New York, to violations of wire fraud, money laundering, and Conspiracy. One recipient was sentenced to 33 months of incarceration, 3 years of probation, and 6 months of home detention, and was ordered to pay \$5.5 million in restitution and a \$200 special assessment fee. The other recipient was sentenced to 5 years of probation and 6 months of home detention, and was ordered to pay a \$100 special assessment fee. The investigation revealed a scheme that involved at least 27 Small Business Innovation Research and Small Business Technology Transfer awards totaling over \$8 million from the Federal Government, including over \$5 million from the Department. The investigation determined that the two former grant recipients provided false statements in proposals, budgets, timesheets, and/or reports in at least 27 grant awards. This is a joint investigation with the National Science Foundation OIG, the U.S. Department of Agriculture OIG, the Internal Revenue Service Criminal Investigation Division, and the Federal Bureau of Investigation (FBI).

- The Department's Office of Environmental Management's Consolidated Business Center has taken action to address the report issued in September 2019. The report found that the Regional Coalition of LANL [Los Alamos National Laboratory] Communities did not properly account for Department grant funds or use the funds in accordance with Federal requirements and the terms of the grant. The Regional Coalition of LANL Communities commingled Department funds with funds received from other sources and subsequently engaged in activities prohibited by U.S.C. and the terms of the grant agreement. As a result, we questioned \$300,000 in Department grant funds, for which the Department should seek appropriate reimbursement. Since October 2019, a legal review by the Consolidated Business Center's Office of Chief Counsel is underway to determine the amount of Federal funds to be reimbursed from expenditures for lobbying activities that are prohibited by Federal requirements.
- Los Alamos National Laboratory (Los Alamos) and the Los Alamos Field Office have taken action to address the report released in June 2019. As of December 2019, Los Alamos developed draft changes to the consultant agreement form and invoice template. The changes to the consultant agreement and other relevant forms are to ensure alignment with Federal Acquisition Regulations and requirements for adequate description of services. In addition, Los Alamos revamped its processes to improve screening proposed guest agreements for consulting, training, or other activities that are more appropriate for subcontracts. These increased internal controls serve to ensure that costs are allowable per Federal Acquisition Regulations. Further, Los Alamos began checking its internal systems to ensure that an individual named for a guest agreement is not already a subcontracted consultant. Finally, Los Alamos is in the process to develop guidance to identify when consultant agreements should be used versus guest agreements.
- The Department's Office of Intelligence and Counterintelligence had taken action to discontinue use of an informal agreement between its office and the Office of Environment, Health, and Safety and Security as of October 2019, which contributed to a lack of closure of Intelligence Category A security incidents per the requirements of Department Order 470.4B, *Safeguards and Security Program*. Additionally, the Department's Office of Intelligence and Counterintelligence is in the process of updating its internal policy on *Reporting Incidents of Security Concern* to be consistent with Department Orders.
- In response to our audits at the Children's Center at Fermi National Accelerator Laboratory (completed in March 2020) and the Child Development Center at Argonne National Laboratory (ongoing), the sites ensured background checks were completed for all applicable employees in accordance with all applicable laws, contracts, policies and procedures. In particular, background checks based on fingerprint analysis were completed for any employee requiring one based on the *Crime Control Act of 1990*.

- In response to our audit, the Office of Indian Energy instituted a pre-award risk assessment to determine the level of supporting documentation required for reimbursement of costs, which may vary based on the results of the risk assessment. Additional controls, including prior weaknesses from external audits, were added to assess risks during the award process. Further, to enhance financial monitoring activities, the Office of Indian Energy has documented its invoice review procedures in a formal internal operations guide.
- In response to our ongoing audit of the Department of Energy Federal Substance Abuse Testing Program, the Department has taken multiple steps to improve the Program. Specifically, the Department took steps to establish testing for a Department site that had not been tested for a period of over 4 years; published a desk reference to establish procedures and guidance for administering the Program; modified a contract which will reduce employee time away from the workplace; and, took steps to update the Testing Designated Position (employees subject to testing) database.

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 of October 1, 2019, through March 31, 2020.

SUMMARY TITLE	PAGE
Former Department Subcontractor Convicted in Foreign Corrupt Practices Act Investigation	25
Sentencing and Suspension in Weatherization Assistance Program Fraud Case	25
Civil Settlement in Qui Tam Case	26
Sentencing and Suspension in Bribery Investigation	26
Sentencing and Debarment in Theft of Government Property Investigation	26
Sentencing in Child Pornography Investigation	26
Guilty Plea, Sentencing, and Debarment in Weatherization Assistance Program Embezzlement Case	27
Guilty Plea in Theft of Public Money Investigation	27
Guilty Plea in Attempted Copper Theft Investigation	27
Civil Settlement and Debarment in Grant Fraud Investigation	28
Civil Settlements in False Claims Act and Anti-Kickback Act Investigation	28
Settlement Reached in Defective Piping Matter	28
Superseding Indictment in Grant Fraud Investigation	29
Information Filed and Guilty Pleas in Copper Theft Investigation	29
Information Filed in Theft of Government Property Case	29

SUMMARY TITLE	PAGE
Indictments in Contract Fraud Investigation	29
Indictment and Arrest in Wire Fraud/False Statements Investigation	30
Information Filed in Small Business Innovation Research Fraud Investigation	30
Criminal Complaint in Time Card Fraud Investigation	30
Contractor Employee Terminated in False Statements Investigation	30
Administrative Recovery of Unallowable Overtime Payments	31
Employee Terminated for Concealing Use of Illegal Narcotics	31
Notice of Suspension in Misuse of Funds Investigation	31
Debarment in Procurement Fraud Investigation	31
Notice of Debarments in Tax Evasion Matter	32
Debarment in Research Fraud Investigation	32
Savings/Funds Put to Better Use in Grant Fraud Investigation	33
Administrative Action in False Statements Investigation	33

AUDITS

The following identifies all audit reports issued between October 1, 2019, and March 31, 2020.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE ¹
Oct 10, 2019	Management Letter on the Southwestern Federal Power System's Fiscal Year 2018 Financial Statement Audit (DOE-OIG-20-01)	5				34
Oct 21, 2019	Battelle Energy Alliance, LLC Costs Claimed under Department of Energy Contract No. DE-AC07-05ID4517 for Fiscal Year 2016 (DOE-OIG-20-02)	9		\$26,079,189		34
Oct 24, 2019	Office of Indian Energy Policy and Programs (DOE-OIG-20-03)	3			\$340,343	35
Nov 6, 2019	Followup on the Department of Energy's Implementation of the Digital Accountability and Transparency Act of 2014 (DOE-OIG-20-05)	1				36
Nov 12, 2019	Bechtel National, Inc.'s Subcontract Audit Program (DOE-OIG-20-06)	3				37
Nov 13, 2019	Federal Energy Regulatory Commission's Unclassified Cybersecurity Program – 2019 (DOE-OIG-20-07)	0				38
Nov 13, 2019	Federal Energy Regulatory Commission's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-08)	0				39
Nov 15, 2019	Management Challenges at the Department of Energy – Fiscal Year 2020 (DOE-OIG-20-09)	0				40
Nov 19, 2019	Department of Energy Nuclear Waste Fund's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-10)	0				41
Nov 19, 2019	The Department of Energy's Fiscal Year 2019 Consolidated Financial Statements (DOE-OIG-20-11)	0				41

¹ Only summaries of audit reports with significant findings are included in the "Summaries" section. Reports that do not have a coordinating entry in the "Summaries" section are indicated as not included by "N/I."

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE ¹
Nov 19, 2019	The Department of Energy's Unclassified Cybersecurity Program – 2019 (DOE-OIG-20-12)	0				42
Nov 26, 2019	Subcontract Management at the Strategic Petroleum Reserve (DOE-OIG-20-13)	2				43
Nov 26, 2019	Audit Coverage of Cost Allowability for Jefferson Science Associates LLC from October 1, 2014, Through September 30, 2018, Under Department of Energy Contract No. DE-AC05-06OR23177 (DOE-OIG-20-14)	0				N/I
Dec 12, 2019	Subcontract Administration at the Mixed Oxide Fuel Fabrication Facility (DOE-OIG-20-16)	0		\$8,163,576 ¹	\$335,444 ¹	43
Dec 19, 2019	Audit Coverage of Cost Allowability for National Security Technologies, LLC from October 1, 2014, through November 30, 2017, Under Department of Energy Contract No. DE-AC52-06NA25946 (DOE-OIG-20-17)	1		\$42,282	.	N/I
Dec 19, 2019	Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies, LLC from October 1, 2014, to September 30, 2015, Under Department of Energy Contract No. DE-NA0000622, and from October 1, 2015, to September 30, 2017, Under Department of Energy Contract No. DE-NA0002839 (DOE-OIG-20-18)	4		\$1,546,133	\$1,902	N/I
Dec 26, 2019	Audit Coverage of Cost Allowability for Oak Ridge Associated Universities, Inc. from October 1, 2015 through September 30, 2017, Under Department of Energy Contract Nos. DE-AC05-06OR23100 and DE-SC0014664 (DOE-OIG-20-19)	0		\$5,787		N/I

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE ¹
Dec 26, 2019	Audit Coverage of Cost Allowability for Los Alamos National Laboratory from October 1, 2013, to September 30, 2016, Under the Department of Energy Contract No. DE-AC52-06NA25396 (DOE-OIG-20-20)	3		\$8,458,966		N/I
Dec 30, 2019	The Department of Energy's Implementation of the Cybersecurity Information Sharing Act of 2015 (DOE-OIG-20-21)	0				44
Dec 30, 2019	Followup on the Department of Energy's Unclassified Foreign Visits and Assignments Program (DOE-OIG-20-22)	5				45
Feb 3, 2020	Consolidation of the Department of Energy's Office of the Chief Human Capital Officer (DOE-OIG-20-25)	0				46
Feb 5, 2020	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2019 (DOE-OIG-20-26)	20				46
Feb 11, 2020	Western Federal Power System's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-27)	0				47
Feb 18, 2020	Office of Science Contract Reform Efforts at SLAC National Accelerator Laboratory (DOE-OIG-20-28)	0				47
Feb 24, 2020	Management Letter on the Western Federal Power System's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-29)	4				48
Mar 3, 2020	Management Letter on the Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2019 (DOE-OIG-20-30) This report is Official Use Only and not available for public viewing	40				N/I

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE ¹
Mar 4, 2020	The Department of Energy's Wildland Fire Prevention Efforts at the Oak Ridge Reservation (DOE-OIG-20-32)	5				49
Mar 4, 2020	Nuclear Material Control and Accountability at a Department of Energy Site (DOE-OIG-20-33) This report is Official Use Only and not available for public viewing	4				N/I
Mar 5, 2020	Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC from October 1, 2013, to September 30, 2015, Under Department of Energy Contract No. DE-AC07-05ID14517 (DOE-OIG-20-34)	0				N/I
Mar 11, 2020	The Children's Center at Fermi National Accelerator Laboratory (DOE-OIG-20-35)	5				49
Mar 16, 2020	Audit Coverage of Cost Allowability for University of California from October 1, 2014, to September 30, 2017, Under Department of Energy Contract No. DE-AC02-05CH11231 (DOE-OIG-20-36)	4		\$4,063,434		N/I
Mar 23, 2020	The Department of Energy's Wildland Fire Prevention Efforts at the Nevada National Security Site (DOE-OIG-20-37)	5				50

¹DOE-OIG-20-16 - The disposition of the questioned and unsupported costs were part of a settlement agreement rather than an explicit disallowance of the costs.

INSPECTIONS

The following identifies all inspection reports issued between October 1, 2019, and March 31, 2020.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Nov 4, 2019	Department of Energy's Incorporation of 41 U.S.C. 4712 Enhanced Whistleblower Protections for Contractor Employees into its Contracts (DOE-OIG-20-04)	0				52
Dec 9, 2019	Sandia National Laboratories' Categorization of its Radiological Facilities (DOE-OIG-20-15)	0				53
Jan 8, 2020	Management of Dosimetry Services at the Hanford Site (DOE-OIG-20-23)	3				53
Jan 8, 2020	Review of the Office of Intelligence and Counterintelligence's Closing of Category A Security Incidents (DOE-OIG-20-24)	2				54
Mar 4, 2020	Evacuation Procedures for Employees Needing Assistance (DOE-OIG-20-31)	1				55

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 proposed bills/regulations, noting that we had no comment and, in one case, noting that we would raise our concerns in a different forum.

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period of October 1, 2019, through March 31, 2020, the Department did not attempt to interfere with OIG independence, nor deny funding to OIG activities.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

During this reporting period of October 1, 2019, through March 31, 2020, access to documents the OIG believed necessary to perform work was not restricted.

INVESTIGATIONS INVOLVING UNAUTHORIZED PUBLIC DISCLOSURE OF CLASSIFIED INFORMATION

Pursuant to the requirement of Section 6718 of the National Defense Authorization Act, for the reporting period of October 1, 2019, through March 31, 2020, the Office of Investigations reports the following:

The number of investigations opened regarding an unauthorized public disclosure of classified information.	None
The number of investigations completed regarding an unauthorized public disclosure of classified information.	None
Of the number of such completed investigations identified under subparagraph (B), the number referred to the Attorney General for criminal investigation.	None/Not applicable

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The Office of Inspector General had no undisclosed reports from the public for this reporting period of October 1, 2019, through March 31, 2020.

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

During the reporting period of October 1, 2019, through March 31, 2020, 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 bribery and misuse of position by GS-15 employee.	Closed; substantiated. Pled guilty to bribery and conspiracy. Sentenced to 18 months of incarceration and 3 years of probation.	Yes	No	N/A
Allegation of improper lodging costs claimed by GS-15 employee.	Closed; unsubstantiated.	Yes	August 13, 2019	Statute of limitations; lack of sufficient evidence.

WHISTLEBLOWER ACTIVITIES

Whistleblower matters open as of October 1, 2019		8
Whistleblower matters opened this period		12
Whistleblower matters closed this period		6
Whistleblower matters closed via Investigative Reports	1	
Whistleblower matters closed via Letters	5	
Whistleblower matters open as of March 31, 2020		14

HOTLINE ACTIVITY

Total Hotline calls, emails, letters, and other complaints (contacts)	1,973 ¹
Hotline contacts resolved immediately/ redirected/no further action	1,838
Hotline contacts predicated for evaluation	135
Total Hotline predications processed this reporting period	139 ²
Hotline predications transferred to OIG Program Office	25
Hotline predications referred to Department management or other entity for information/action	50
Hotline predications closed based upon preliminary OIG activity and review	59
Hotline predications open at the end of the reporting period	5

¹ This number includes any contact that required Hotline staff review, including re-contacts for additional information and requests for deposition.

² This number includes 4 predications carried over from the last semiannual reporting period.

COMMENTS NOT PROVIDED BY THE DEPARTMENT WITHIN 60 DAYS

For the reporting period of October 1, 2019, through March 31, 2020, there were no audit or inspection reports with comments not provided within 60 days.

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 63 reports with a total of 147² recommendations which were agreed to by the Department but have not been implemented as of March 31, 2020. The total potential cost savings associated with these reports is \$738,180,930. 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 ³	POTENTIAL MONETARY BENEFIT ⁴
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 1 recommendation 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 ³	POTENTIAL MONETARY BENEFIT ⁴
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	
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	
Oct 27, 2017	Management of the National Ignition Facility and the Advanced Radiographic Capability (DOE-OIG-18-04)	3	
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	
Apr 26, 2018	Inquiry into an Alleged Anti-Deficiency Act Violation at the Department of Energy (DOE-OIG-18-29)	1	
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)	2	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ³	POTENTIAL MONETARY BENEFIT ⁴
Oct 31, 2018	The Department of Energy's Funds Distribution System 2.0 (DOE-OIG-19-03)	1	
Feb 14, 2019	Allegations Regarding Southwestern Power Administration's Procurement of the Pathways Core Training (DOE-OIG-19-16)	1	\$17,349
Mar 28, 2019	Preparedness for Firefighting Response at Los Alamos National Laboratory (DOE-OIG-19-23)	1	
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 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 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)	3	
Jun 10, 2019	The Department of Energy's Management of the ActioNet Information Technology Support Contract (DOE-OIG-19-35)	1	\$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)	1	
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)	3	
Sep 9, 2019	Subcontracts for Consulting Services at Fermi National Accelerator Laboratory (DOE-OIG-19-48)	3	
Sep 17, 2019	Claims Reimbursement Process for Licensees Under Title X of the Energy Policy Act of 1992 (DOE-OIG-19-49)	1	
Sep 27, 2019	Management of Cybersecurity over Selected Information Systems at Department of Energy Headquarters (DOE-OIG-19-52)	3	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ³	POTENTIAL MONETARY BENEFIT ⁴
Sep 27, 2019	The Use of Grant DE-EM0003780 by the Regional Coalition of LANL Communities (DOE-OIG-19-53)	1	\$300,000
Oct 10, 2019	Management Letter on the Southwestern Federal Power System's Fiscal Year 2018 Financial Statement Audit (DOE-OIG-20-01)	2	
Oct 21, 2019	Battelle Energy Alliance, LLC Costs Claimed under Department of Energy Contract No. DE-AC07-05ID4517 for Fiscal Year 2016 (DOE-OIG-20-02)	1	\$26,079,189
Nov 6, 2019	Followup on the Department of Energy's Implementation of the Digital Accountability and Transparency Act of 2014 (DOE-OIG-20-05)	1	
Nov 12, 2019	Bechtel National, Inc.'s Subcontract Audit Program (DOE-OIG-20-06)	3	
Dec 19, 2019	Audit Coverage of Cost Allowability for National Security Technologies, LLC from October 1, 2014, through November 30, 2017, Under Department of Energy Contract No. DE-AC52-06NA25946 (DOE-OIG-20-17)	1	\$42,282
Dec 19, 2019	Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies, LLC from October 1, 2014, to September 30, 2015, Under Department of Energy Contract No. DE-NA0000622, and from October 1, 2015, to September 30, 2017, Under Department of Energy Contract No. DE-NA0002839 (DOE-OIG-20-18)	4	\$1,548,035
Dec 26, 2019	Audit Coverage of Cost Allowability for Los Alamos National Laboratory from October 1, 2013, to September 30, 2016, Under the Department of Energy Contract No. DE-AC52-06NA25396 (DOE-OIG-20-20)	3	\$8,458,966
Dec 30, 2019	Followup on the Department of Energy's Unclassified Foreign Visits and Assignments Program (DOE-OIG-20-22)	2	
Jan 8, 2020	Management of Dosimetry Services at the Hanford Site (DOE-OIG-20-23)	2	
Jan 8, 2020	Review of the Office of Intelligence and Counterintelligence's Closing of Category A Security Incidents (DOE-OIG-20-24)	1	
Feb 5, 2020	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2019 (DOE-OIG-20-26)	14	
Feb 24, 2020	Management Letter on the Western Federal Power System's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-29)	2	
Mar 3, 2020	Management Letter on the Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2019 (DOE-OIG-20-30)	20	
Mar 4, 2020	Evacuation Procedures for Employees Needing Assistance (DOE-OIG-20-31)	1	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ³	POTENTIAL MONETARY BENEFIT ⁴
Mar 4, 2020	The Department of Energy's Wildland Fire Prevention Efforts at the Oak Ridge Reservation (DOE-OIG-20-32)	5	
Mar 4, 2020	Nuclear Material Control and Accountability at a Department of Energy Site (DOE-OIG-20-33)	2	
Mar 16, 2020	Audit Coverage of Cost Allowability for University of California from October 1, 2014, to September 30, 2017, Under Department of Energy Contract No. DE-AC02-05CH11231 (DOE-OIG-20-36)	1	\$4,063,434
Mar 23, 2020	The Department of Energy's Wildland Fire Prevention Efforts at the Nevada National Security Site (DOE-OIG-20-37)	5	

Total Open Recommendations **147** **\$738,180,930**

PEER REVIEWS

PEER REVIEWS CONDUCTED BY OIG OCTOBER 1, 2019 – MARCH 31, 2020			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audits	None this reporting period		
Inspections	None this reporting period		
Investigations	None this reporting period		

PEER REVIEWS CONDUCTED OF OIG OCTOBER 1, 2019 – MARCH 31, 2020				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audits	None this reporting period			
Inspections	August 2019	Department of Interior	At least once every 3 years	
Investigations	None this reporting period			

SUMMARIES

INVESTIGATIVE OUTCOMES

Former Department Subcontractor Convicted in Foreign Corrupt Practices Act Investigation

A former Department subcontractor was convicted in the U.S. District Court, District of Maryland, on four counts of violating the Foreign Corrupt Practices Act (FCPA), one count of Conspiracy to violate the FCPA, and two counts of wire fraud, after having pleaded not guilty and proceeding to trial. As previously reported in the March 31, 2018, and the March 31, 2016, *Semiannual Reports to Congress*, the former subcontractor, also the former co-president of a Maryland-based transportation company that provides services for the transportation of nuclear materials to customers in the U.S. and abroad, was indicted in the U.S. District Court, District of Maryland, on 11 counts of Conspiracy, wire fraud, international money laundering, and violations of the FCPA. The transportation company entered into a deferred prosecution agreement with the Department of Justice (DOJ) to pay a \$2 million penalty to resolve charges of Conspiracy to violate the anti-bribery provisions of the FCPA. The investigation determined that the former co-president engaged with several co-conspirators in a scheme to bribe a Russian official to influence the awarding of contracts to the Russian State-owned nuclear energy corporation, TENEX. The former executive of a Russian company was sentenced to 48 months of incarceration and forfeiture of \$2,126,622 for Conspiracy to commit money laundering. The investigation determined that the executive violated the FCPA by participating in a kickback scheme with several American co-conspirators to direct the awarding of contracts for the shipment of uranium from Russia to the United States without competition under the Megatons to Megawatts Program. This is an ongoing joint investigation with the FBI and is being coordinated with the U.S. Attorney's Office for the District of Maryland. [The DOJ press release can be found here.](#)

Sentencing and Suspension in Weatherization Assistance Program Fraud Case

A manager at a not-for-profit organization was sentenced in the U.S. District Court, Western District of Michigan, to 41 months of imprisonment and 2 years of supervised release, after having pleaded guilty to one count of Theft or Bribery Concerning Programs Receiving Federal Funds and one count of tax evasion. The manager was also ordered to pay \$431,828 in restitution and a \$200 special assessment fee. As previously reported in the September 30, 2019, *Semiannual Report to Congress*, the manager, employed by a community action entity receiving Department of Energy grant funding, embezzled Weatherization Assistance Program funds for personal use and failed to timely file tax returns with the Internal Revenue Service. The funds were intended for use to weatherize homes in low-income communities. The investigation determined that the manager stole in excess of \$300,000 in Department weatherization funding, as well as funding issued by the Department of Health and Human Services (HHS) 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, the manager was suspended from receiving Federal Government contracts. This is an ongoing joint investigation with the Internal Revenue Service Criminal Investigation Division, the HHS OIG, and the FBI.

Civil Settlement in Qui Tam Case

A recipient of funds under the Department of Energy's loan program, and two other defendants not affiliated with the Department of Energy, entered into a Civil Settlement Agreement with the DOJ to settle allegations of collusion and bid rigging related to the purchase of a defaulted loan from the Department of Energy. The investigation determined that the company may have colluded with an affiliate and another bidder to secure loan promissory notes from the Government without competition and at a significantly depressed price. The loan at auction was issued in 2009 to Fisker Automotive for the development of electric vehicle technologies, under the Department of Energy's Advanced Technology Vehicles Manufacturing Program. Pursuant to the Settlement Agreement, the recipient will repay \$29 million to the Government, of which \$20 million will be returned to the Department of Energy. The DOJ press release can be found [here](#).

Sentencing and Suspension in Bribery Investigation

A former employee of Battelle Energy Alliance, LLC (BEA), the management and operating (M&O) contractor for the Department of Energy's Idaho National Laboratory, was sentenced in the U.S. District Court, District of Idaho, to 3 months of incarceration and 1 year of supervised release, after pleading guilty to one count of accepting an illegal gratuity by a public official. The former employee was also ordered to pay a \$100 special assessment fee. The investigation determined that the former employee was paid to provide non-public bid information for laboratory procurements, allowing a subcontractor to underbid competitors in the procurement process. The former employee further agreed to intentionally steer business toward the subcontract company. Additionally, in response to an IRM, a letter of suspension and proposed debarment was issued to the former employee. This is an ongoing joint investigation with the FBI.

Sentencing and Debarment in Theft of Government Property Investigation

A former contractor laborer at the Lawrence Livermore National Laboratory (Livermore) was sentenced in the U.S. District Court, Northern District of California, to 5 years of supervised probation and ordered to pay \$40,000 in restitution back to Livermore. As previously reported in the September 30, 2017, *Semiannual Report to Congress*, the former contractor pleaded guilty to one count of theft of Government property. The investigation determined that the former contractor stole at least 42,782 pounds of copper from Livermore and sold them to a scrap metal company in exchange for \$117,667 over a 3-year period. This investigation was coordinated with the U.S. Attorney's Office for the Northern District of California.

Sentencing in Child Pornography Investigation

A former employee of the National Energy Technology Laboratory in Morgantown, West Virginia was sentenced in the U.S. District Court, Northern District of West Virginia, to 12 months and 1 day in Federal prison, followed by 5 years of supervised release, after

pleading guilty to one count of possession of child pornography. The investigation determined that the former employee utilized Department-owned computers to search for and access child pornography. The former employee admitted to possessing child pornography during an interview with the OIG. [The DOJ press release can be found here.](#)

Guilty Plea, Sentencing, and Debarment in Weatherization Assistance Program Embezzlement Case

A former not-for-profit executive director was sentenced in the U.S. District Court, Southern District of Florida, to 360 days of home confinement and 5 years of probation, and was ordered to pay \$50,000 in restitution and \$10,000 in fines. As previously reported in the September 30, 2019, *Semiannual Report to Congress*, the former director was charged by Information and pleaded guilty to one count of theft from an organization receiving Federal funds. The former director managed a community action organization, which received funds from the Department under the Weatherization Assistance Program. 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. The former director also voluntarily agreed to a debarment from Federal contracting for 15 years, as stipulated in the plea agreement. This is a joint investigation with the U.S. Housing and Urban Development OIG, and the Florida Department of Law Enforcement. [The DOJ press release can be found here.](#)

Guilty Plea in Theft of Public Money Investigation

A former subcontractor employee at the Bettis Atomic Power Laboratory pleaded guilty to a Criminal Information filed in the U.S. District Court, Western District of Pennsylvania, and was charged with one count of theft of public money. As previously reported in the September 30, 2019, *Semiannual Report to Congress*, the investigation determined 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 and 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. [The DOJ press release can be found here.](#)

Guilty Plea in Attempted Copper Theft Investigation

An individual with no affiliation to the Department pleaded guilty in the Eighteenth Judicial District Circuit Court, DuPage County, Illinois, to one count of attempted burglary. The investigation determined the individual, who was recorded on video, attempted to remove copper wiring without authorization from a storage building located at the Fermi National Accelerator Laboratory. This is an ongoing joint investigation with the DuPage County, Illinois Sheriff's Department.

Civil Settlement and Debarment in Grant Fraud Investigation

The U.S. Attorney's Office for the Eastern District of Pennsylvania entered into a Civil Settlement Agreement with Drexel University, requiring the University to repay the U.S. \$189,062 under the False Claims Act, of which \$111,320 is restitution. This follows an investigation which revealed the former head of the University's Department of Electrical and Computer Engineering, a principal investigator on eight Federal grants awarded to the University by various agencies including the Department, used a University-issued procurement card to charge disallowed and improper purchases against the grants. These included purchases at gentlemen's clubs and sports bars, as well as personal iTunes purchases and other charges unrelated to the grants. The principal investigator was also debarred from receiving Government funds and from directly or indirectly receiving benefits of Federal assistance programs for 6 months. This is an ongoing joint investigation with the National Science Foundation OIG and the Naval Criminal Investigative Service. The DOJ press release can be found [here](#).

Civil Settlements in False Claims Act and Anti-Kickback Act Investigation

Five separate defendants entered into civil settlement agreements totaling \$120,050 with the U.S. Attorney's Office, Northern District of West Virginia, to resolve allegations made under the False Claims Act. As previously reported in the September 30, 2017, *Semiannual Report to Congress*, the investigation determined that a former Department subcontractor employee, in their capacity as administrative assistant to the subcontractor's principal investigator, knew of misconduct but failed to report it; assisted with efforts to secure employment for family members and associates; conspired to secure employment for their spouse; and submitted invoices to the Department for reimbursement of fraudulent labor and services. The investigation further determined that the subcontractor companies and officers provided kickbacks to the principal investigator of two National Energy Technology Laboratory cooperative agreements in the form of payments and employment for family members, in exchange for subcontract awards and reimbursement for unsubstantiated project billings. As reported in the March 31, 2017, *Semiannual Report to Congress*, a civil complaint was filed in U.S. District Court, Northern District of West Virginia, charging 15 individuals and 12 companies with violations of the Anti-Kickback and False Claims Acts. The investigation determined that approximately \$3 million of two National Energy Technology Laboratory prime contracts valued at \$85 million were paid to contractors engaged in a kickback scheme and that the principal investigator assigned to the two contracts received at least \$230,000 in kickbacks.

Settlement Reached in Defective Piping Matter

The Department reached a \$225,000 contractual settlement with a prime contractor responsible for building the Salt Waste Processing Facility at the Savannah River Site. The settlement follows an investigation revealing that the prime contractor installed gravity-fed, drain line piping in the flooring of the Salt Waste Processing Facility that did not meet the Department's quality standards. This investigation was coordinated with the DOJ, though the Department of Energy ultimately decided to seek resolution via contractual settlement.

Superseding Indictment in Grant Fraud Investigation

A University of Kansas professor who received funding from numerous Federal grants from the Department and other Federal agencies was charged by Superseding Indictment in the U.S. District Court, District of Kansas, with 2 counts of wire fraud and 1 count of program fraud. The investigation determined that the professor failed to disclose on conflict of interest forms to the University specific work the professor was doing for the People's Republic of China. As a result, the professor was able to improperly obtain funds derived from numerous Federal grants, including funding from the Department and the National Science Foundation. This is an ongoing joint investigation with the National Science Foundation OIG and the FBI.

Information Filed and Guilty Pleas in Copper Theft Investigation

Two prime contractor construction superintendents and one subcontractor electrician at the Y-12 National Security Complex were charged by Information in the U.S. District Court, Eastern District of Tennessee, with violations of theft of Government property. All three defendants pleaded guilty to the charges. The investigation determined that the superintendents and the subcontractor conspired to steal over 4,400 pounds of copper wire, worth approximately \$50,000, from the Y-12 National Security Complex.

Information Filed in Theft of Government Property Case

A former Department vendor was charged by Information in the U.S. District Court, District of Colorado, with one count of theft of Government property. The investigation determined that the owner of the former Department vendor, as well as numerous other vendors, participated in a fictitious billing scheme with a Department contractor employee tasked with inventory management duties at a Department-owned warehouse. The warehouse employee initiated fictitious purchase orders to the vendor companies to order goods for the warehouse. The goods ordered from the vendor companies were never actually received by the warehouse, and the proceeds from the purchases were stolen by the warehouse employee and vendors involved in the scheme. The vendor charged with the Information had over \$194,000 in fictitious transactions. This is an ongoing joint investigation with the General Services Administration OIG and the FBI.

Indictments in Contract Fraud Investigation

A former Department subcontractor was indicted on 28 counts of criminal false claims, as well as one count of possession of visual depictions of minors engaged in sexually explicit conduct, in the U.S. District Court, District of New Mexico. The investigation determined that the former subcontractor submitted false claims of approximately \$53,025 to Sandia National Laboratories related to air particle count monitoring and cleaning services that were not performed. During the course of the investigation, a search warrant was executed on the former subcontractor's business, which led to the discovery of a large cache of child pornography stored on devices owned by the former subcontractor. This is an ongoing investigation.

Indictment and Arrest in Wire Fraud/False Statements Investigation

A Department subcontractor, who is also a professor at the University of Tennessee, Knoxville (UTK), was arrested and indicted in the U.S. District Court, Eastern District of Tennessee, on three counts of wire fraud and three counts of making false statements. The subcontractor engaged in a scheme to defraud the Government by concealing his affiliation with a Chinese university. The subcontractor made false representations and omissions to UTK about his affiliation with the Chinese university, which caused UTK to falsely certify to the Government that it followed Federal law. The subcontractor also intentionally obfuscated involvement with the Chinese university when receiving funding from the National Aeronautics and Space Administration (NASA). This is an ongoing joint investigation with the NASA OIG, the FBI, and Homeland Security Investigations. The DOJ press release can be found [here](#).

Information Filed in Small Business Innovation Research Fraud Investigation

A Department grantee was charged by Information in the U.S. District Court, District of Delaware, with one count of wire fraud in connection with a Small Business Innovation Research grant fraud investigation. As previously reported in the September 30, 2017, *Semiannual Report to Congress*, between 2009 and 2018, the defendant obtained more than 30 Small Business Innovation Research awards from numerous Federal agencies, totaling over \$11 million. The investigation determined that the grantee company and its employees submitted false claims and certifications to the Department and numerous other Government agencies in its applications for these awards, and submitted numerous false statements and forged letters of support and collaboration. The grantee was previously suspended from doing business with the Government pending completion of legal proceedings. This is an ongoing joint investigation with the National Science Foundation OIG, the NASA OIG, the Defense Criminal Investigative Service, the Air Force Office of Special Investigations, and the Naval Criminal Investigative Service.

Criminal Complaint in Time Card Fraud Investigation

A former contractor employee at Livermore was charged by criminal complaint with felony embezzlement and felony grand theft in the Alameda County District Court of California. The former contractor employee was also issued a Notice of Dismissal letter for having committed timecard fraud. The investigation, which is ongoing, determined that the former contractor employee admitted to committing timecard fraud by charging regular hours to the contract while spending hours in a personal vehicle and not working.

Contractor Employee Terminated in False Statements Investigation

In response to an IRM, the NNSA and the Kansas City Field Office concurred with the OIG's recommendation and terminated 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.

Administrative Recovery of Unallowable Overtime Payments

The Department was reimbursed \$8,550 by UT-Battelle, LLC, the M&O contractor for the Oak Ridge National Laboratory, to compensate for unallowable overtime premium payments made to a contractor employee. The investigation determined that the employee routinely worked overtime on the weekend; however, the employee improperly coded the overtime activity as “Emergency Overtime,” thus permitting the employee to receive a guaranteed 4 hours of pay, regardless of actual amount of time worked. In addition to the repayment, the contractor will provide specific training to the employee and to managers responsible for overseeing and approving overtime-related activities.

Employee Terminated for Concealing Use of Illegal Narcotics

A prime contractor employee at the Y-12 National Security Complex was terminated as a result of information developed by the OIG. Specifically, the investigation found that the contractor employee, who held a “Q” level security clearance, revealed the use of illegal narcotics during an interview conducted by another Federal law enforcement agency. Following the development of this information, the OIG obtained a confession from the contractor employee confirming both the use of the illegal narcotics and the purposeful omission of the use on the employee’s Questionnaire for National Security Positions (SF-86). As part of the investigation, the findings were coordinated with the contractor’s employer who, in turn, terminated the employee for concealing the use of the illegal narcotic.

Notice of Suspension in Misuse of Funds Investigation

In response to an IRM issued to the Department’s Director, Office of Acquisition Management, five former employees of a community action agency receiving Department funds under a grant program were suspended pending the resolution of legal processes. The investigation determined that the five former employees conspired to misappropriate community action agency funds while receiving Federal funding, resulting in the indictment of the five former employees. This is a joint investigation with the FBI.

Debarment in Procurement Fraud Investigation

In response to an IRM, the NNSA’s Office of Acquisition and Project Management debarred a former subcontract researcher, affiliated with a Los Alamos National Laboratory (Los Alamos) subcontract, for a period of four years. As previously reported in the March 31, 2018, and September 30, 2018, *Semiannual Reports to Congress*, the former subcontract researcher 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 and a \$100 special assessment fee. 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](#).

Notice of Debarments in Tax Evasion Matter

As a result of an IRM, a former subcontractor employee and two of the subcontractor's companies were debarred from receiving Federal funds or contracts. The investigation determined that since 2001, the former subcontractor employee's two companies sold in excess of \$1.2 million in products to the Department's Oak Ridge National Laboratory and Y-12 National Security Complex. The investigation also determined that the former subcontractor employee was aware of a requirement to file income taxes for the companies as a prerequisite for doing business with the Federal Government. The subcontractor employee omitted a total of \$5,589,514 in gross receipts and \$1,165,923 in net income from Federal income tax filings. The former subcontractor employee pleaded guilty in the U.S. District Court, Eastern District of Tennessee, to one count of tax evasion and was sentenced to 1 year of home confinement and 5 years of probation. The former subcontractor employee was also ordered to pay \$813,891 in restitution, a \$10,000 fine, and a \$100 special assessment fee. This was a joint investigation with the Internal Revenue Service Criminal Investigation Division.

Debarment in Research Fraud Investigation

Two Department grant recipients and their four companies were debarred, prohibited from contracting and engaging in other covered transactions with any Federal agency, for a period of 5 years. As previously reported in the March 31, 2016, and March 31, 2018, *Semiannual Reports to Congress*, both grant recipients pleaded guilty in the U.S. District Court, Western District of New York, to violations of wire fraud, money laundering, and Conspiracy. One recipient was sentenced to 33 months of incarceration, 3 years of probation, and 6 months of home detention, and was ordered to pay \$5.5 million in restitution and a \$200 special assessment fee. The other recipient was sentenced to 5 years of probation and 6 months of home detention, and was ordered to pay a \$100 special assessment fee. The investigation revealed a scheme that involved at least 27 Small Business Innovation Research and Small Business Technology Transfer awards totaling over \$8 million from the Federal Government, including over \$5 million from the Department. The Department's portion of the awards exceeded \$5 million. The investigation determined that the two former grant recipients provided false statements in proposals, budgets, timesheets, and/or reports in at least 27 grant awards. This is a joint investigation with the National Science Foundation OIG, the U.S. Department of Agriculture OIG, the Internal Revenue Service Criminal Investigation Division, and the FBI.

Savings/Funds Put to Better Use in Grant Fraud Investigation

The OIG was notified by the Department that a Cooperative Agreement, valued at \$2,441,195, consisting of \$1,891,382 of Federal share, was terminated as a result of an OIG investigation. The investigation determined that the business submitted multiple false certifications to the Department, as well as to HHS and NASA, in order to receive Small Business Innovation Research funds for which it was ineligible. This is an ongoing joint investigation with HHS OIG, NASA OIG, and the Small Business Administration OIG.

Administrative Action in False Statements Investigation

In response to an IRM, the Department's Chief Human Capital Officer placed an employee in the Office of Human Capital on unpaid suspension for 9 days, directly based on results of an OIG investigation. The investigation determined that the employee engaged in misconduct while previously employed by the Bureau of Prisons. This was a joint investigation with the DOJ OIG.

AUDIT REPORTS

Management Letter on the Southwestern Federal Power System's Fiscal Year 2018 Financial Statement Audit

KPMG LLP (KPMG), our contract auditors, planned and performed an audit of the combined financial statements of the Southwestern Federal Power System as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The combined financial statements include the Southwestern Power Administration, a component of the U.S. Department of Energy; and the hydroelectric generation and power operations of the U.S. Army Corps of Engineers, a component of the U.S. Department of Defense.

As part of the audit of the combined financial statements, KPMG considered the Southwestern Federal Power System's internal control over financial reporting (internal control) as a basis for designing auditing procedures for the purpose of expressing an opinion on the combined financial statements but not for the purpose of expressing an opinion on the effectiveness of the Southwestern Federal Power System's internal control. Accordingly, KPMG did not express an opinion on the effectiveness of the Southwestern Federal Power System's internal control. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

During the audit, KPMG noted certain matters involving internal control and other operational matters that are presented in the management letter prepared by KPMG. The letter contains three findings that were issued during the course of the Southwestern Federal Power System's Fiscal Year 2018 Financial Statement Audit. Management concurred with the findings and provided planned corrective actions for the recommendations listed in the management letter.

Battelle Energy Alliance, LLC Costs Claimed under Department of Energy Contract No. DE-AC07-05ID14517 for Fiscal Year 2016

Since fiscal year (FY) 2005, Battelle Energy Alliance, LLC (BEA) has managed and operated the Idaho National Laboratory under a 20-year contract with the Department of Energy valued at \$17.18 billion. The Idaho National Laboratory is part of the Department's Office of Nuclear Energy. As a management and operating contractor, BEA's financial accounts are integrated with those of the Department, and the results of transactions are reported monthly. BEA is required by contract to account for all net expenditures accrued annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. During FY 2016, BEA incurred costs totaling approximately \$972,328,028. BEA is required to comply with the Department's Cooperative Audit Strategy, under which BEA internal auditors perform audits of the contractor, including the annual audit of costs claimed on the Statement of Costs Incurred and Claimed, also referred to as the annual incurred cost audit.

In recent years, the Office of Inspector General began selecting one management and operating contractor to test the effectiveness of the internal audit group's annual incurred cost audit. This is accomplished by performing the annual audit in place of the internal audit group. For FY 2016, we selected BEA. The objectives of our audit were to determine if the FY 2016 incurred costs were allowable, allocable, and reasonable in accordance with the terms of the contract, applicable cost principles, laws, and regulations, and to assess BEA's internal audit work for the annual incurred cost audit.

Based on our audit, we identified BEA practices that were not compliant with Cost Accounting Standards, other issues for which we were not always able to quantify the full monetary impact, and weaknesses in BEA's Internal Audit (Internal Audit) procedures. For FY 2016, we questioned \$17.66 million of positive (over-recovered) funds and \$8.4 million of negative (under-recovered) funds from year-end indirect cost pool variances. We also questioned \$11,176 of Laboratory Directed Research and Development burdens. Also, for areas where Internal Audit had provided audit coverage in FY 2016, e.g., subcontract costs, we reviewed its work to determine whether we could rely on the audit work in lieu of performing our own testing. Based on our review, we determined that Internal Audit work could be relied upon in the select areas reviewed and identified minor additional questioned costs of \$8,013. These issues occurred because BEA did not properly follow contract terms and conditions, including Federal Acquisition Regulations and Cost Accounting Standards, and did not sufficiently adhere to internal policy.

We identified areas that require improvement by Internal Audit. The audit procedures used by Internal Audit did not identify certain Cost Accounting Standards noncompliance issues in BEA's cost accounting and management practices. We consider these areas to be fundamental for proper accounting of costs on Government contracts. Accordingly, we are recommending certain corrective actions and additional oversight to ensure that these problems do not recur.

Office of Indian Energy Policy and Programs

The Department of Energy's Office of Indian Energy Policy and Programs (Indian Energy) is authorized, through the *Energy Policy Act of 2005* (Public Law 109-58, Title V), to fund and implement a variety of programmatic activities that assist American Indian Tribes and Alaska Native villages with energy development, capacity building, energy cost reduction, and electrification of Indian lands and homes. Indian Energy's mission is to maximize the development and deployment of energy solutions for the benefit of American Indians and Alaska Natives. To accomplish its mission, Indian Energy's goals are to promote Indian tribal energy development, efficiency, and use; reduce or stabilize Indian tribal energy costs; strengthen Indian tribal energy infrastructure; and provide electricity to Indian land, housing, and businesses.

Indian Energy issues Funding Opportunity Announcements through which financial assistance agreements are awarded to qualified recipients. The financial assistance agreements, also referred to as awards, specify the requirements established in the Funding Opportunity Announcements as well as other Federal and departmental provisions to be followed by the recipient. From October 2012 to July 2018, Indian Energy

issued a total of 76 awards totaling \$81.8 million, including the Department's cost share of \$38.5 million. To support the Office of Indian Energy project management staff, Indian Energy entered into a Memorandum of Understanding with the Department's Office of Energy Efficiency and Renewable Energy, Office of Business Operations, Golden Service Center. Specifically, the Golden Service Center provided support from the Financial Assistance Office, Office of Chief Counsel, Financial Oversight Office, and Environmental Oversight Office. Support included environmental and financial oversight, legal guidance, project execution, and award administration.

Given its significant role in supporting initiatives for the development and deployment of energy solutions to benefit American Indian Tribes and Alaska Natives, we initiated this audit to determine if Indian Energy was meeting its mission goals and objectives and managing the program in accordance with applicable laws, regulations, policies, and procedures. Although we found that Indian Energy had generally met its mission goals and objectives, it had not always appropriately managed the financial aspects of its awards. Our review of documentation from 15 selected awards found instances where Indian Energy approved and reimbursed award recipients without adequately reviewing invoices and detailed supporting documentation to ensure all costs claimed for reimbursement were allowable in accordance with applicable regulations. This occurred because Indian Energy had not always provided effective monitoring and oversight of its award recipients and/or sufficient guidance to ensure proper adherence to financial and accounting policies and procedures.

We made three recommendations to address identified risk and implement formal policies and procedures to enhance financial monitoring in order to reduce Indian Energy's risk that questionable and/or unallowable costs are being charged to the projects. As a result of our review, Indian Energy officials indicated that they were in the process of or had already completed (1) adding a fringe and indirect rate calculation to their existing Invoice Tracker, which was created to more consistently track costs by categories; (2) elevating the priority of the invoice review policy; and (3) instituting a tiered approach to their risk assessment to address the level of supporting documentation required for award recipients with significant deficiencies or material weaknesses identified in prior financial audits. We consider management's comments and corrective actions to be responsive to our recommendations. We commend management for being proactive and taking action before the issuance of our final report.

Followup on the Department of Energy's Implementation of the Digital Accountability and Transparency Act of 2014

The *Digital Accountability and Transparency Act of 2014* (DATA Act) requires Federal agencies to report on financial and non-financial data in accordance with standards established by the U.S. Department of the Treasury (Treasury) and the Office of Management and Budget (OMB). Agency reported data is made available to the public and other stakeholders on USASpending.gov, a website operated by Treasury in consultation with OMB. In January 2017, agencies began reporting on 57 data definition elements

published by Treasury and OMB, such as obligation amounts and legal entity addresses. The DATA Act requires each Office of Inspector General (OIG) to report on the completeness, timeliness, quality, and accuracy of data submitted by the cognizant agency.

In July 2018, the Government Accountability Office reported that nearly three-quarters of agencies submitted data that was not complete, accurate, or timely. In addition, our previous report on the *Department of Energy's Implementation of the Digital Accountability and Transparency Act of 2014* (DOE-OIG-18-08, November 2017) determined that the overall quality of available Department of Energy information related to the DATA Act was negatively impacted by weaknesses in completeness, accuracy, and timeliness of information reported in the second quarter of fiscal year 2017.

We determined that the Department had made improvements to the quality of its data since our prior report was issued in 2017. However, the results of our current review may not be fully comparable to our prior audit due to a change in the methodologies outlined in the February 2019 CIGIE FAEC1 Inspectors General Guide to Compliance under the DATA Act (CIGIE Guide). Using the methodology included in the CIGIE Guide, we determined that the overall quality of the Department's data was high for the information reported in the first quarter of fiscal year 2019. In particular, based on a sample of 332 transaction records (records) that included nearly 14,000 required data elements, our testing for completeness, accuracy, and timeliness revealed:

- 92 of 332 (28 percent) records contained at least 1 data element that was incomplete. Most of these errors were not attributable to the Department.
- 163 of 332 (49 percent) records contained at least 1 data element that was not accurate.
- 92 of 332 (28 percent) records contained timeliness issues, and we determined that the projected error rate for timeliness related to the data elements supporting the records was approximately 1.7 percent. Many of these errors were not attributable to the Department.

To improve the effectiveness of the Department's DATA Act reporting, we made recommendations to the Deputy Chief Financial Officer. Management concurred with our findings and recommendation. Management's planned corrective actions are responsive to our recommendations.

Bechtel National, Inc.'s Subcontract Audit Program

Bechtel National, Inc. (Bechtel) is responsible for construction of the Department of Energy's \$16.8 billion Waste Treatment and Immobilization Plant. The Waste Treatment and Immobilization Plant's mission is to treat and vitrify a majority of the 56 million gallons of waste amassed from decades of plutonium production at the Department's Hanford Site. To achieve its mission, Bechtel procures services and equipment, often using subcontractors. The Department's Office of River Protection manages the Bechtel contract while the Richland Operations Office provides administrative and financial oversight support to the Office of River Protection for Bechtel.

Many of these subcontracts are “flexibly-priced,” where the costs incurred are a factor in determining the amount payable to the subcontractor. Between the start of the contract on December 11, 2000, and June 15, 2018, Bechtel paid \$1.98 billion for 392 flexibly-priced subcontracts. For its flexibly-priced subcontracts, Bechtel’s contract with the Department contains a requirement to audit the subcontractors’ costs. Specifically, the contract requires Bechtel “to either conduct an audit of the subcontractor’s costs or arrange for such an audit to be performed by the cognizant Government audit agency through the Contracting Officer.” The Defense Contract Audit Agency typically performs audits requested through the Contracting Officer.

Several factors have led to concerns regarding the performance of subcontract audits and the associated costs. First, since 2013, the Department has had concerns about arranging for audit assistance from the Defense Contract Audit Agency due to a backlog of audits it had not been able to perform. This backlog resulted in the Defense Contract Audit Agency being prohibited from performing non-Department of Defense work for nearly a year beginning in November 2015. It also resulted in the Department formally reminding Bechtel in April 2013 of the contractual requirement to perform subcontract audits and requested Bechtel to submit audit results. Second, the *Contract Disputes Act of 1978* established a 6-year statute of limitations on the ability of the Government to make claims against a contractor. Because of these concerns, we initiated this audit to determine whether Bechtel is fulfilling its requirement to audit its flexibly-priced subcontracts.

We determined that Bechtel had not fulfilled the requirement within its contract to audit flexibly-priced subcontracts. Specifically, we found that since the start of the contract on December 11, 2000, a significant number of flexibly-priced subcontracts have not been audited; subcontract audits performed by Bechtel officials had not always been effective or reliable; Bechtel had not identified all flexibly-priced subcontracts that were subject to audit; and while Bechtel met a Department-established performance goal of completing at least 20 audits by the end of calendar year 2018, its efforts were not focused on those subcontracts that were at risk of exceeding the statute of limitations for submitting claims, as required by the Department.

Although both Bechtel and the Department have taken actions to improve the performance of subcontract audits, the issues we identified occurred because of weaknesses in Bechtel’s administration of its subcontract audit program as well as deficiencies in the Department’s oversight. By not fulfilling the requirement to audit its flexibly-priced subcontracts, Bechtel increases the risk that it is passing on unallowable costs from its subcontractors to the Department. We made three recommendations to address these concerns. Management concurred with the report’s recommendations and identified specific actions that were already in place to address them.

Federal Energy Regulatory Commission’s Unclassified Cybersecurity Program – 2019

The Federal Energy Regulatory Commission (FERC) is an independent agency within the Department of Energy responsible for, among other things, regulating the interstate transmission of the Nation’s electricity, natural gas, and oil. FERC’s mission is to assist consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable

cost through appropriate regulatory and market means. To accomplish this, the information technology infrastructure that supports FERC must be reliable and protected against attacks from malicious sources.

The *Federal Information Security Modernization Act of 2014* established requirements for Federal agencies to develop, implement, and manage agency-wide information security programs, including a periodic assessment of the risk and magnitude of harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of information systems and data that support the operations and assets of the agency. In addition, the *Federal Information Security Modernization Act of 2014* mandated that an independent evaluation be performed annually by the Office of Inspector General to determine whether FERC's unclassified cybersecurity program adequately protected data and information systems. The Office of Inspector General contracted with KPMG to perform an assessment of FERC's unclassified cybersecurity program. This report presents the results of that evaluation for FY 2019.

Based on FY 2019 test work performed by KPMG, we determined that FERC had implemented the tested attributes of its cybersecurity program in a manner that was generally consistent with Federal requirements. In particular, we found no indications that management, operating, and technical controls implemented within FERC's information technology environment were not effective.

Because nothing came to our attention that would indicate significant control weaknesses in the areas tested by KPMG, we are not making any recommendations or suggested actions relative to this evaluation.

Federal Energy Regulatory Commission's Fiscal Year 2019 Financial Statement Audit

This report presents the results of the independent certified public accountants' audit of FERC's balance sheets, as of September 30, 2019, and 2018, and the related statements of net cost, changes in net position, custodial activity, and budgetary resources for the years then ended.

To fulfill the Office of Inspector General's audit responsibilities, we contracted with the independent public accounting firm of KPMG to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on FERC's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards. The Office of Inspector General did not express an independent opinion on FERC's financial statements.

KPMG concluded that the financial statements present fairly, in all material respects, the financial position of FERC as of September 30, 2019, and 2018, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with United States generally accepted accounting principles.

As part of this review, auditors also considered FERC's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit did not identify any deficiency in internal control over financial reporting that is considered a material weakness.

Management Challenges at the Department of Energy – Fiscal Year 2020

The Department of Energy's mission is to ensure America's security and prosperity by addressing its energy, environmental, and nuclear challenges through transformative science and technology solutions. The Department's world-leading science and technology enterprise generates the innovations that fulfill its missions. Through 17 national laboratories, the Department engages in cutting edge research that expands the frontiers of scientific knowledge, generates new technologies to address the country's greatest energy challenges, and strengthens national security by maintaining and modernizing the nuclear stockpile. To execute this diverse portfolio, the Department receives an annual appropriation of approximately \$35 billion, employs approximately 113,000 Federal and contractor personnel, and manages assets valued at \$196.1 billion.

The Office of Inspector General annually identifies what it considers to be the most significant management challenges facing the Department. The Office of Inspector General's goal is to focus attention on significant issues with the objective of working with Department managers to enhance the effectiveness of agency programs and operations. Based on the results of our body of work over the past year, the management challenges list for FY 2020 remains largely consistent with that of the previous year. These challenges include:

- Contract Oversight
- Cybersecurity
- Environmental Cleanup
- Nuclear Waste Disposal
- Safeguards and Security
- Stockpile Stewardship
- Infrastructure Modernization

The Office of Inspector General also prepares an annual Watch List, which incorporates other issues that do not meet the threshold of a management challenge, yet in its view, warrant special attention by Department officials. For FY 2020, the Watch List includes:

- Intellectual Property Theft/Foreign Talents Program
- Human Capital Management
- Grant Management

The management challenges process is an important tool that assists us in focusing our finite resources on what we consider to be the Department's most significant risks and vulnerabilities.

Department of Energy Nuclear Waste Fund's Fiscal Year 2019 Financial Statement Audit

This report presents the results of the independent certified public accountants' audit of the balance sheets of the Department of Energy Nuclear Waste Fund, as of September 30, 2019, and 2018, and the related statements of net cost, changes in net position, and statements of budgetary resources for the years then ended.

To fulfill the Office of Inspector General's audit responsibilities, we contracted with the independent public accounting firm of KPMG to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on the Nuclear Waste Fund's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards. The Office of Inspector General did not express an independent opinion on the Nuclear Waste Fund's financial statements.

KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of the Nuclear Waste Fund as of September 30, 2019, and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with United States generally accepted accounting principles.

As part of this review, auditors also considered the Nuclear Waste Fund's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The results of the auditors' review disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards or applicable OMB guidance.

The Department of Energy's Fiscal Year 2019 Consolidated Financial Statements

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the Office of Inspector General engaged the independent public accounting firm of KPMG to perform the audit of the *Department of Energy's Fiscal Year 2019 Consolidated Financial Statements*.

KPMG audited the consolidated financial statements of the Department as of September 30, 2019, and 2018, and the related consolidated statements of net cost, changes in net position, custodial activity, and combined statements of budgetary resources for the years then ended. KPMG concluded that these consolidated financial statements are presented fairly, in all material respects, in conformity with United States generally accepted accounting principles and has issued an unmodified opinion based on its audits and the reports of other auditors for the years ended September 30, 2019, and 2018.

The Office of Inspector General issued notices of findings and recommendations to management throughout the audit. In nearly all instances, management concurred with the findings and recommendations. All findings have been detailed in separate management letters. The audit disclosed no instances of noncompliance or other matters required to be reported under applicable audit standards and requirements.

KPMG is responsible for the auditors' report and the opinions and conclusions expressed therein. The Office of Inspector General is responsible for technical and administrative oversight regarding KPMG's performance under the terms of the contract. Our review was not intended to enable us to express, and accordingly, we do not express, an opinion on the Department's financial statements, management's assertions about the effectiveness of its internal controls over financial reporting, or the Department's compliance with laws and regulations. Our monitoring review disclosed no instances where KPMG did not comply with applicable auditing standards.

The Department of Energy's Unclassified Cybersecurity Program - 2019

We initiated this evaluation to determine whether the Department of Energy's unclassified cybersecurity program protected data and information systems in accordance with Federal and Department requirements. We found that opportunities existed for the Department, including the National Nuclear Security Administration (NNSA), to improve the protection of unclassified information systems and data. Although the Department had taken actions over the past year to address previously identified weaknesses related to its cybersecurity program, our current evaluation identified weaknesses that were consistent with our prior reports related to vulnerability management, configuration management, system integrity of web applications, access controls and segregation of duties, cybersecurity and privacy training, and security control testing and continuous monitoring.

The weaknesses identified in our report occurred due to a variety of reasons. For instance, we noted that vulnerability management weaknesses existed at one location because officials only conducted technical scanning for vulnerabilities on an ad-hoc basis, and the site did not have a process to regularly conduct vulnerability scanning of the entire environment. In some instances, software management tools and processes did not ensure that software was upgraded prior to the end-of-support dates. Furthermore, web applications remained vulnerable because sites did not always ensure that appropriate safeguards were in place and operating effectively. For example, certain locations tested had not always developed and implemented adequate testing processes and procedures to identify vulnerabilities related to data confidentiality and integrity of authentication functionality in web applications.

Throughout FY 2019, management made 54 recommendations to programs and sites related to improving the Department's cybersecurity program. Furthermore, in some instances, management provided opportunities for improvement at locations reviewed but did not issue formal recommendations. Without improvements to address the weaknesses identified in our report, the Department's information systems and data may be at a higher-than-necessary risk of compromise, loss, and/or modification. The Office of Inspector General has continuously recognized cybersecurity as a management challenge area for the

Department, emphasizing the critical need to enhance the Department's overall security posture. In addition, the Office of Inspector General and other independent reviewers continue to identify vulnerabilities related to developing, updating, and/or implementing policies and procedures that may adversely affect the Department's ability to properly secure its information systems and data. Therefore, additional action is necessary to help strengthen the Department's unclassified cybersecurity program.

Subcontract Management at the Strategic Petroleum Reserve

The Strategic Petroleum Reserve comprises the largest stockpile of emergency crude oil in the world with, as of November 2018, over 654 million barrels. Stockpiles are stored in a series of underground salt caverns located along the coastline of the Gulf of Mexico. The Strategic Petroleum Reserve's overarching priority is to maintain the readiness of the oil stockpile for emergency use at the President's direction. Since April 1, 2014, Fluor Federal Petroleum Operations, LLC (FFPO) has managed and operated the Strategic Petroleum Reserve for the Department of Energy. To carry out its objectives, FFPO relies on subcontractors to perform a significant amount of work. As a management and operating contractor, FFPO has the responsibility to administer its subcontracts in accordance with established Federal and Department of Energy Acquisition Regulations. Accordingly, we initiated this audit to determine whether FFPO appropriately administered subcontracts.

Based on our review of seven FFPO subcontracts, we found that FFPO had not always appropriately administered some subcontracts. Specifically, we found that none of our sampled subcontract files were fully and consistently maintained, and invoice approval was not always based on documentation sufficient to validate satisfactory subcontract performance. The issues we identified occurred, in part, because FFPO had not established adequate guidance or sufficient training regarding its subcontract administration.

Management made a series of recommendations to help ensure that the Department properly administers subcontracts and receives the full value of contracted goods and services. These recommendations included updating policies and procedures, while also expanding upon training efforts.

Subcontract Administration at the Mixed Oxide Fuel Fabrication Facility

The MOX Services, LLC (MOX Services) contract with the NNSA for the design, construction, operation, and deactivation of the Mixed Oxide Fuel Fabrication Facility (MOX Facility) at the Savannah River Site was established in March 1999. The MOX Facility was intended to be a major component in the United States' program to dispose of surplus weapons-grade plutonium. In FY 2007, NNSA authorized the start of MOX Facility construction activities, which were estimated at a total project cost of about \$4.8 billion, with an FY 2017 projected start of operations date. In FY 2016, the Department of Energy's Office of Project Management Oversight, in partnership with the U.S. Army Corps of Engineers, estimated the total project cost for MOX Facility construction to be at about \$17.2 billion, with operations starting as late as 2048. The significant remaining lifecycle cost of the MOX Facility led, in part, to NNSA terminating the MOX Services contract in October 2018.

We found that MOX Services did not consistently administer the subcontracts selected for review in accordance with Federal Acquisition Regulation requirements for contract cost principles and procedures in the areas of subcontract modifications, labor premiums, supporting documentation, overtime billings, rework material costs, rework labor profits, and material reconciliations. As a result, we identified \$8.5 million in questioned costs and, based on the control weaknesses that led to the questioned costs, there is an increased risk that other unallowable subcontract costs may have been incurred by MOX Services and reimbursed by the NNSA.

These issues occurred, in part, because MOX Services did not always perform or document invoice reviews in accordance with Federal Acquisition Regulation requirements or MOX Services' internal procurement procedures. In our opinion, MOX Services management's culture regarding cost allowability also contributed to these issues.

Because the Federal Government reached a settlement agreement substantially addressing outstanding incurred costs, which includes the questioned costs cited in this report, we did not make any recommendations.

The Department of Energy's Implementation of the Cybersecurity Information Sharing Act of 2015

The *Cybersecurity Information Sharing Act of 2015* (Cybersecurity Act) was signed into law on December 18, 2015, to improve the Nation's cybersecurity through enhanced sharing of information related to cybersecurity threats. The law authorized sharing of classified and unclassified cyber threat indicators and defensive measures among Federal agencies and with properly cleared representatives in the private sector.

The Cybersecurity Act required agencies to develop processes and procedures to facilitate and promote the timely sharing of cyber threat information. To address privacy and civil liberty concerns, Federal agencies were required to retain, use, and disseminate only information that is directly related to a cybersecurity threat and remove personally identifiable information not directly related to a cyber threat to prevent unauthorized use or disclosure. In addition, the Cybersecurity Act required Inspectors General to report to Congress at least every 2 years on the sufficiency of information sharing policies, procedures, and guidelines. As such, we participated in a joint review, led by the Office of the Inspector General of the Intelligence Community, to assess efforts of seven executive agencies to implement the Cybersecurity Act requirements. In support of this joint endeavor, we performed this review to determine the Department of Energy's actions taken to carry out the requirements of the Cybersecurity Act.

We determined that the Department had taken the actions necessary to carry out the requirements of the Cybersecurity Act. Specifically, we found that policies and procedures related to sharing cyber threat indicators were sufficient and included requirements for the removal of personally identifiable information. Therefore, we did not make any formal recommendations.

Our review did not test the effectiveness of the Department's efforts to implement the Cybersecurity Act; rather, our test work focused on the Department's efforts to comply with the Cybersecurity Act. While progress has been made, Department officials indicated that barriers existed that have or could potentially affect the sharing of cyber threat indicators and defensive measures with Federal entities. In particular, officials identified barriers related to the costs associated with obtaining security clearances, the timeliness of obtaining and adjudicating security clearances, inconsistent communications from the U.S. Department of Homeland Security, and concerns related to liability protections for threat sources.

Followup on the Department of Energy's Unclassified Foreign Visits and Assignments Program

As a leader in advancing science and technology, the Department of Energy values the contributions of international collaborations. As a result, the Department offers foreign nationals access to its sites, staff, and information in a broad range of unclassified work. Department sites are responsible for implementing the Department's Unclassified Foreign Visits and Assignments Program guidance established by the Department's Office of Environment, Health, Safety and Security. The Department uses the Foreign Access Central Tracking System (FACTS) as the official national database of information on unclassified foreign visits and assignments. The information contained in FACTS is used to determine if foreign nationals are qualified to participate in activities and to ensure that unauthorized access to sites, information, technologies, and equipment is denied.

Our December 2002 and March 2008 reports on The Department's Unclassified Foreign Visits and Assignments Program collectively found that the Department had not ensured that: (1) all foreign nationals had current passports and visas, (2) some foreign nationals from sensitive countries had official approval and background checks or counterintelligence consultations completed before gaining site access, (3) sufficient information was being provided to FACTS, and (4) hosts implemented protective measures. Because of prior weaknesses and the importance of limiting unauthorized access to the Department's sites, programs, information, and technologies, we initiated this followup audit to determine whether the Department was effectively managing the Unclassified Foreign Visits and Assignments Program.

Since our prior audits, the Department had taken steps that were designed to ensure that hosts were meeting established responsibilities, completed visits and assignments were closed in FACTS, site access was terminated when no longer needed, and required foreign nationals' information was accurate and complete in FACTS. In addition, program offices directed sites to develop corrective actions to address the recommendations, and FACTS was modified to provide checks of the immigration status and identification information of foreign nationals against the visit and assignment end dates.

Although the Department had taken corrective actions as a result of our 2002 and 2008 reports, we found that problems with the management of unclassified foreign visits and assignments continued to exist. While nothing came to our attention to indicate that there was unauthorized access at the sites we visited, the risk of potential unauthorized access

increases in the future if the issues identified in this report are not addressed. Given that our audit disclosed that previously identified issues had not been resolved, we made recommendations designed to improve the Department's management of unclassified foreign visits and assignments.

Consolidation of the Department of Energy's Office of the Chief Human Capital Officer

In 2013, the Office of the Chief Human Capital Officer (Human Capital) examined the Department of Energy's state of Human Resources (HR) service delivery. The resulting report, *HR Service Delivery Study* (September 2013), made a recommendation to strengthen the accountability of Human Capital. Subsequently, Human Capital created four consolidated shared service centers to replace the 17 separate HR offices across the complex. In November 2013, the Secretary of Energy approved the study's recommendations. We initiated this audit to determine whether the Consolidation of the Department's Human Capital met the intended goals.

The audit was performed from January 2018 to October 2019 at the Department of Energy Headquarters in Washington, DC, and Germantown, Maryland. We conducted site visits to the Management and Performance Shared Service Center in Cincinnati, Ohio, and the Power Marketing Administration Shared Service Center located in Lakewood, Colorado.

While Human Capital management achieved some efficiencies during the Consolidation, our audit made observations indicating that the Consolidation of Human Capital had not achieved its intended goals.

We recognize the significant challenge that Human Capital management undertook when it restructured the Human Capital organization to better serve the Department. A great deal of change and progress has already been achieved. However, work remains to be done to achieve Human Capital's goals. Further, in February 2018, Human Capital proposed the next phase of Consolidation. As part of this second Consolidation, the Management and Performance SSC, and the Science and Energy SSC, were merged to further reduce HR costs and improve efficiency. This report does not make recommendations, since management is continuing to move its reforms forward and planning to set new target goals.

Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2019 (DOE-OIG-20-26)

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the Office of Inspector General engaged the independent public accounting firm of KPMG to perform the audit of the Department of Energy's Fiscal Year 2019 Consolidated Financial Statements. During the audit, KPMG considered the Department's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the consolidated financial statements.

During the course of the audit, KPMG identified deficiencies in internal control. Specifically, KPMG had 13 new findings and a total of 20 recommendations that were issued during the Fiscal Year 2019 Audit of the Department of Energy's Consolidated Financial Statements.

Management fully concurred with all but one recommendation included in the management letter and had taken or planned to take corrective actions. The audit did not identify any deficiencies in internal control over financial reporting that are considered material weaknesses.

Western Federal Power System's Fiscal Year 2019 Financial Statement Audit

To fulfill the Office of Inspector General's audit responsibilities, we contracted with the independent public accounting firm of KPMG to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on the Western Federal Power System's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards. The Office of Inspector General did not express an independent opinion on the Western Federal Power System's financial statements.

KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of the Western Federal Power System as of September 30, 2019, and 2018, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles. As part of this review, the auditors also considered the Western 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 revealed one deficiency in the Western Federal Power System's internal controls over financial reporting that was considered to be a significant deficiency. During testing over the Bureau of Reclamation's power trial balance (dataload), multiple instances were identified where underlying schedules, roll-forwards, and adjustments were inaccurate or unsupported. Given the conditions identified, the Bureau of Reclamation's roll forwards and adjustments to the dataload were not reliable. While improvements were made over the process in FY 2019, misstatements may continue to exist in the Bureau of Reclamation's dataload after the Western Area Power Administration's review, impacting the balances reported in the combined financial statements and the accuracy of cost recovery planning.

The results of the auditors' review of the Western Federal Power System's compliance with provisions of laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards, issued by the Comptroller General of the United States.

Office of Science Contract Reform Efforts at SLAC National Accelerator Laboratory

Since 1962, Stanford University has managed and operated SLAC National Accelerator Laboratory (SLAC) for the Department of Energy's Office of Science. SLAC is 1 of the 10 Office of Science laboratories and is home to a 2-mile long particle accelerator, an x-ray laser, and a broad range of scientific research and experiments.

In August 2016, the Office of Science Director recommended that the Department implement a new model contract with Stanford University for a trial period of 3 years. Accordingly, the Department's Office of Science, Stanford University, and SLAC jointly developed a new model contract by reevaluating, modifying, and streamlining the traditional management and operating contract. In October 2016, SLAC began the process of implementing the new model contract. In light of the contract reform efforts within the Department, and since SLAC was chosen as the initial pilot site, we initiated this audit to evaluate how the Office of Science's contract reform efforts impacted SLAC's health and safety, safeguards and security, human resources, and procurement functions.

The audit was performed from June 2019 through January 2020 with a review of SLAC's contract reform efforts that included contract modifications and deviations from Department of Energy requirements. During our review, nothing came to our attention to indicate that the contract reform efforts have increased risk at SLAC or materially changed the Department's Federal oversight.

In our review of the administrative changes resulting from the contract reform efforts, we concluded that the changes were risk-neutral in nature and did not yield any exceptions based on the results of our limited testing. While it is encouraging to recognize the positive results of the contract reform efforts at SLAC, it is important to note that we do not provide any assurance that similar efforts implemented at other sites would produce a similar outcome because each site is unique with its own culture, leadership, and oversight structure. Therefore, in our judgment, a careful review and examination of each site planning to implement a new contract model is fully warranted. At this time, we are not providing any recommendations.

Management Letter on the Western Federal Power System's Fiscal Year 2019 Financial Statement Audit

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the Office of Inspector General engaged the independent public accounting firm of KPMG to perform the audit of the Western Federal Power System's Fiscal Year 2019 Financial Statements. During the audit, KPMG considered the Western Federal Power System's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

During the course of the audit, KPMG identified deficiencies in internal control that are included in the management letter. Specifically, the management letter contains two new findings and four recommendations that were issued during the audit of the Western Federal Power System's Fiscal Year 2019 Financial Statements. One finding identified during the audit is considered a significant deficiency. Management fully concurred with all recommendations included in the management letter and had taken or planned to take corrective actions. Management's responses are included with each finding.

The Department of Energy's Wildland Fire Prevention Efforts at the Oak Ridge Reservation

The Department of Energy's Oak Ridge Reservation (Reservation) consists of approximately 32,000 acres that encompasses three major Department complexes: East Tennessee Technology Park, Oak Ridge National Laboratory, and Y-12 National Security Complex. With mission-related assets estimated at over \$10 billion, these complexes are managed by three different program offices and are operated by different prime contractors. We initiated this audit to determine whether the Oak Ridge National Laboratory Site Office's Reservation Management Branch (Reservation Management), formerly under the Oak Ridge Office, was taking necessary actions to identify and mitigate possible hazards associated with the impacts of wildland fire.

We found that Reservation Management had taken some actions to identify and mitigate possible hazards associated with the impacts of wildland fire. However, Reservation Management had not yet fully implemented preparedness and prevention activities designed to reduce the impact from wildland fire. Specifically, we found that Reservation boundaries were not being enforced in areas where Reservation property borders residential developments and residential homeowners were potentially encroaching on Reservation property. In addition, fire roads necessary for establishing fire breaks and providing access for firefighters and equipment had not been maintained as required by the Reservation's Wildland Fire Management Program and roads and grounds maintenance contract. Further, mitigation activities such as prescribed burns and thinning of forested areas were not yet fully implemented in all areas where the need for fuel reduction had been identified by Reservation Management.

The issues we identified occurred, in part, due to complexities associated with obtaining funding for site-wide activities that support wildland fire management. In addition, a lack of Federal oversight added to the difficulties of implementing the Reservation's Wildland Fire Management Program. Further, the issues identified occurred because wildland fire risks for the Reservation as a whole had not been assessed to ensure it is adequately protected from a wildland fire event. Management agreed with our recommendations and proposed corrective actions are consistent with our recommendations.

The Children's Center at Fermi National Accelerator Laboratory

The Children's Center at Fermi National Accelerator Laboratory (Fermi) is managed by Fermi Research Alliance, LLC, the management and operating contractor. It offers childcare services to all Fermi Research Alliance, LLC and Department of Energy employees, facility users, and long-term onsite subcontractors. Fermi is expected to adhere to all applicable laws and regulations, including the *Crime Control Act of 1990*. The *Crime Control Act of 1990* requires every childcare facility operated by, or under contract with, the Federal Government to ensure that all existing and newly-hired employees undergo criminal background checks. The background check is to be based on a set of the employee's fingerprints obtained by a law enforcement officer and on other identifying information.

Fermi must also adhere to requirements set forth by the National Accreditation Commission for Early Care and Education Programs (NAC). NAC provides the Children's Center with requirements on written employee records, work history, transcripts/diplomas and certificates of training, screening for references, criminal history background checks, and immediate notification of staff member's criminal convictions. NAC also requires at least one staff member with a current certification in infant/child cardiopulmonary resuscitation (CPR) and pediatric first aid be present with each group of children at all times. Additionally, all staff members must receive training every 2 years on exposure to blood and potential blood-containing body fluids, as well as child abuse and neglect. Further, NAC requires that each staff member counted in the staff-to-child ratio have a minimum of 20 hours of annual training in early childhood/child development. To implement the requirements of NAC, the FermiLab Children's Center Work Processes Manual requires employees to fulfill 20 in-service training hours per year. In addition to these professional hours, FermiLab Children's Center Work Processes Manual requires employees to be up-to-date with CPR, First Aid, Bloodborne Pathogens, and Child Abuse training. We initiated this audit to determine whether the Children's Center at Fermi was managed in accordance with the *Crime Control Act of 1990* and requirements set forth by NAC.

We found that Fermi had not managed its Children's Center in compliance with all applicable requirements. Specifically, background checks on Fermi's Children's Center employees were not always completed in accordance with applicable laws, the contract, policies, and procedures. We identified that 5 of the 18 employees did not have any background checks performed until the initiation of our audit in June 2018. Further, we found that 13 employees did not have background checks based on fingerprints; 10 employees with completed background checks were missing Sex Offender Registry checks; and 1 employee did not have her work history verified prior to being hired. We also found that Fermi had not ensured that 10 of the 18 Children's Center employees met the minimum 20-hour training requirement. Additionally, some employees had not met the required CPR, First Aid, Bloodborne Pathogens, and Child Abuse trainings. To address the concerns noted in the report, we made five recommendations to help improve Fermi Children's Center operations. Management concurred with the report's recommendations and indicated that corrective actions have been taken to address the issues identified in the report.

[The Department of Energy's Wildland Fire Prevention Efforts at the Nevada National Security Site](#)

The NNSA's Nevada National Security Site (NNSS) is a research and development reserve in south-central Nevada that helps ensure the security of the United States and its allies. NNSS's management and operating contractor, Mission Support and Testing Services, LLC, is to comply with Department of Energy Order 420.1C, *Facility Safety*, which requires the contractor to establish a comprehensive fire protection program that includes an integrated site-wide wildland fire management plan. This plan is to be consistent with the *Federal Wildland Fire Management Policy* and meet the requirements of National Fire Protection Association 1143, *Standard for Wildland Fire Management*. As part of its responsibilities, the contractor develops the NNSS Wildland Fire Management Plan in

accordance with the requirements. The contract also requires the contractor to comply with State regulations which, in the case of wildland fire management, require the contractor to comply with the requirements of the International Wildland-Urban Interface Code. These regulations require the contractor to identify wildland fire hazards and take actions to mitigate the impact of wildland fire. The NNSA's Nevada Field Office is responsible for overseeing the contractor's performance under the terms of the management and operating contract and ensuring compliance with the requirements of Department directives, including Department Order 420.1C.

Throughout its history, NNSS has experienced a number of wildland fires that endangered infrastructure and radiologically contaminated areas. Since 2005, there have been more than 150 wildland fires at NNSS that burned over 44,000 acres. Given the risk posed by wildland fire to NNSS's facilities and workforce, we initiated this audit to determine whether the Nevada Field Office and the contractor were taking necessary actions to identify possible hazards associated with and mitigate the impacts of wildland fire as required by the *Federal Wildland Fire Management Policy*, National Fire Protection Association standards, International Wildland-Urban Interface Code, and the NNSS Wildland Fire Management Plan.

Our review found that the Nevada Field Office and the contractor had taken some actions to identify and mitigate possible hazards associated with the impacts of wildland fire at NNSS. While these were positive measures, we found that the contractor had not fully completed mitigation activities designed to reduce the impact from wildland fire.

We found that mitigation activities such as treating or removing excess vegetation needed to ensure defensible space and firebreaks around facilities, combustible utility poles, and along roadways were not being completed as required by National Fire Protection Association standards and International Wildland-Urban Interface Code. We also found that roads necessary for protecting utilities and providing access for firefighters and equipment had not been maintained as required. In addition, preparedness activities for upcoming wildland fire seasons had not been completed in accordance with the NNSS Wildland Fire Management Plan.

These issues occurred, in part, because the contractor did not develop a comprehensive, risk-based approach to wildland fire management at NNSS. While contractor officials had assessed fire hazards for certain structures or areas as part of its wildland fire vegetation assessments, the contractor did not complete a formal risk assessment to evaluate the full spectrum of wildland fire risks for the entire complex or develop a formal mitigation plan. In addition, these issues occurred due to a lack of Federal oversight of the contractor's wildland fire management activities. Although the Nevada Field Office is responsible for overseeing contractor performance and ensuring compliance with Department directives, the instances of noncompliance identified demonstrate that this was not always occurring. We made five recommendations in order to enhance NNSS's wildland fire protection strategies and provide increased protection for the Department's assets, as well as the health and safety of its workers and the public.

INSPECTION REPORTS

Department of Energy's Incorporation of 41 U.S.C. 4712 Enhanced Whistleblower Protections for Contractor Employees into its Contracts

In January 2013, Congress enacted legislation (hereafter referred to as 41 U.S.C. 4712), effective July 1, 2013, to provide enhanced protections to contractor, subcontractor, and grantee employees who reasonably believe they experienced reprisal as a result of disclosing certain wrongdoing to specified entities and individuals. To provide these protections to employees, the Department of Energy is required to: (1) include the Federal Acquisition Regulation (FAR) clause 52.203-17 in contracts over the simplified acquisition threshold (\$250,000 as of February 2018) and awarded after September 30, 2013; and (2) make “best efforts” to include the FAR clause in any “major modification” to an existing contract awarded before the law went into effect. Because whistleblowers play an important role in keeping our Government and its contractors honest, efficient, and accountable, we initiated this inspection to determine whether the Department had incorporated the 41 U.S.C. 4712 enhanced contractor whistleblower protections into its contracts.

In October 2013, the Department issued guidance encouraging Contracting Officers to include the clause in major modifications to contracts and orders awarded. In addition, the Department held meetings with procurement directors to obtain a status update on successes and obstacles to incorporate the clause into existing contracts. We reviewed 30 of the Department's largest contracts, totaling approximately \$386 billion, and found that the Department successfully incorporated the FAR clause into 28 of those contracts. For the two contracts that did not have the FAR clause (one with Bechtel National, Inc. and another with URS-CH2M Oak Ridge LLC), Department contracting officials attempted to incorporate the FAR clause bilaterally (agreed upon by both parties) following passage of the law. However, the contractors did not agree to include it in their contracts, citing numerous reasons, including that the FAR clause is only mandatory for new contracts, whistleblower protections already existed, and the addition could potentially create additional costs. Department officials stated that they do not have the unilateral right to insert the FAR clause; therefore, there was no way to include the FAR clause without contractor agreement.

Because the Department was successful in its efforts to include the FAR clause in 28 of the 30 contracts we reviewed, employees of these contractors have been afforded the additional whistleblower protections under 41 U.S.C. 4712. While the thousands of contractor and subcontractor employees for the two contracts without the FAR clause are still covered under the Department's existing whistleblower program, they have not been afforded the additional whistleblower protections under 41 U.S.C. 4712, such as the increased statute of limitations from 90 days to 3 years for filing a complaint. If major modifications are made to the Bechtel National, Inc. or URS-CH2M Oak Ridge LLC contracts in the future, we suggest that the Office of Acquisition Management work with the Office of Environmental Management to ensure that Contracting Officers make best efforts to include the FAR clause.

Sandia National Laboratories' Categorization of its Radiological Facilities

Sandia National Laboratories (Sandia) is a multidisciplinary national laboratory and federally funded research and development center headquartered in Albuquerque, New Mexico. Sandia's mission is to anticipate and resolve emerging national security challenges, innovate and discover new technologies, create value through products and services that solve important national security challenges, and inform the national debate where technology policy is critical to preserve security and freedom.

In accomplishing its mission, Sandia utilized controlled radiological materials that could pose dangers if released following a significant incident, such as an explosion, fire, spill, improper material transfer, flood, or earthquake. To minimize danger to life or property, the Department of Energy issued requirements for conducting safety analyses that included the categorization of radiological facilities. In February 2011, Sandia identified five containers of legacy radioactive material (i.e., materials that were no longer in use) stored in a radiological facility that exceeded the threshold for radiological facilities, causing the facility to be miscategorized. Two years later, a similar issue occurred, again causing a facility to be miscategorized. Based on the facility categorization errors and the risk posed if facilities are miscategorized, we conducted this inspection to determine whether Sandia properly categorized its radiological facilities.

During our review of Sandia's process to categorize radiological facilities, nothing came to our attention to indicate that the facilities at Sandia in Albuquerque, New Mexico, were not properly categorized in accordance with requirements. While we did not identify any instances of noncompliance, we did find areas for improvement within Sandia's internal controls and have made suggestions that will strengthen the primary hazard screening process.

Management of Dosimetry Services at the Hanford Site

Two Department of Energy organizations oversee environmental restoration at the radiologically contaminated Hanford Site located in the state of Washington. The first organization, the Department's Office of River Protection (River Protection) is responsible for cleanup of the Hanford Site tank waste. River Protection's mission is to retrieve and treat Hanford Site's tank waste and close the tank farms to protect the environmental integrity of the Columbia River. The second organization, the Richland Operations Office, is responsible for ensuring nuclear waste and facility cleanup, and overall management of the Hanford Site. The Richland Operations Office's mission is to restore the Columbia River corridor and transition the Hanford Central Plateau to a remediated state. The Richland Operations Office oversees several contractors, one of which is Mission Support Alliance who provides dosimetry services under the Hanford Site's Radiological Site Services (RSS).

Dosimetry is the science of determining radiation dose by measurement and/or calculation. RSS provides external and internal dosimetry, radiological instrumentation, and records management services to all contractors working at the Hanford Site. The main dosimetry service users are Washington River Protection Solutions, overseen by River Protection, and CH2M Hill Plateau Remediation Company, overseen by the Richland Operations Office.

While the Hanford Site's RSS Records Program is a longstanding, mature organization staffed by knowledgeable and dedicated individuals, we found opportunities to improve the RSS Records Program. Specifically, we identified inconsistent dosimetry record practices that placed records at risk in the past and continue to pose a risk to the accuracy and completeness of the records. For example, one contractor did not provide complete history forms for some of its Hanford Site employees as required by the Hanford Radiological Records Program Manual. In addition, although not required, contractors were not utilizing standard record forms available through Mission Support Alliance. The use of standard forms can reduce the amount of followup effort and help in the accuracy and completeness of the records.

We determined that actions are needed to ensure records are accurate and complete by defining the Federal oversight responsibility, establishing consistent requirements, and implementing standardized forms. Such actions will also help limit the risk of Federal Government liability through the *Energy Employee Occupational Illness Compensation Program Act*. This program compensates current and former Department employees for any occupational illnesses causally linked to toxic exposures in the Department work environment.

Review of the Office of Intelligence and Counterintelligence's Closing of Category A Security Incidents

The Department of Energy's Office of Intelligence and Counterintelligence (Intelligence) is responsible for all intelligence and counterintelligence activities throughout the Department's complex, including nearly 30 intelligence and counterintelligence offices nationwide. Intelligence contributes to national security by having the ability to leverage 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.

Department Order 470.4B, *Safeguards and Security Program*, requires that Category A security incidents be closed in the Safeguards and Security Information Management System (SSIMS), the Department's master repository for facility clearances, contracts, surveys, and other safeguards and security issues that require resolution. Category A security incidents are incidents that meet a designated level of significance relative to the potential impact on the Department and/or national security, thereby requiring the notification and pertinent involvement of the cognizant security office. One of the objectives of the Order is to ensure that the occurrence of a security incident prompts the appropriate graded response, to include an assessment of the potential impacts, appropriate notification, extent of condition, and corrective actions.

The Office of Environment, Health, Safety and Security manages and oversees SSIMS, and uses the system to track and report safeguard and security issues that require resolution. Intelligence is responsible for ensuring that Category A security incidents are properly closed in SSIMS. During our previous inspection report, *Review of Allegations Against a Department of Energy's Office of Intelligence and Counterintelligence Senior*

Official, dated July 2018, we identified unrelated concerns regarding Intelligence’s handling of security incidents. Therefore, we initiated this inspection to determine whether Intelligence closed Category A security incidents in SSIMS, as required.

We determined that Intelligence did not properly close Category A security incidents in SSIMS, as required. This occurred because Intelligence had an informal agreement with the Office of Environment, Health, Safety and Security not to populate Category A security incidents into SSIMS. As a result, the Department may not have the capabilities to assess incident data for the purpose of reviewing and enhancing security policies, and providing technical incident and causal analysis expertise to site and program offices, as requested. As such, we made two recommendations aimed at improving Intelligence’s compliance with the Order. Management concurred with the report’s recommendations and indicated that corrective actions have been initiated to address the issues identified in the report.

Evacuation Procedures for Employees Needing Assistance

Department of Energy Order 151.1D, *Comprehensive Emergency Management System*, requires Department officials to develop and participate in an integrated and comprehensive emergency management program. The Order requires that all facilities and equipment be adequate to support an emergency response, including the capability to notify employees of an emergency and to facilitate their safe evacuation from work areas. Emergency management officials at each facility are responsible for maintaining a documented emergency management program.

The Department has established Occupant Emergency Plans (OEP) and procedures to ensure the safety and security of its employees and visitors during an emergency at its facilities. The Department’s Office of Management oversees the development of the OEP for Department employees located at its Headquarters facility in the James V. Forrestal Building (Forrestal), which includes specific roles and responsibilities assigned to Program Offices. Federal Energy Regulatory Commission’s (FERC) Office of Security and Safety provides this oversight for employees located in its Headquarters facility, also located in Washington, DC. We initiated this inspection to determine whether the Department had plans in place at its Forrestal and FERC Headquarters facilities to accommodate employees needing assistance during an emergency evacuation.

Although the Department had an updated plan in place to accommodate employees needing assistance at Forrestal, some supervisors and employees were not fully aware of their roles and responsibilities during an emergency evacuation. Further, we determined that FERC’s OEP was outdated and did not reflect the current plan that was in place. During the course of our inspection, FERC’s OEP was updated to reflect current evacuation procedures and identify the roles and responsibilities of key personnel.

Additionally, evacuation drills indicated that FERC could evacuate employees needing assistance from its facility. As such, we did not make any recommendations regarding FERC’s OEP. To improve the safe evacuation of employees needing assistance in an emergency at Forrestal, we made one recommendation for the Department to enhance and

improve its awareness programs to ensure that employees and supervisors are aware of their responsibilities during an emergency evacuation. Management concurred with the report's recommendation. Its corrective actions, taken and planned, are responsive to the recommendation.

SEMIANNUAL REPORTING REQUIREMENTS INDEX

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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, 4 power marketing administrations, 9 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 260 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
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