



U.S. DEPARTMENT OF
ENERGY

OFFICE OF INSPECTOR GENERAL
*Semiannual Report
to Congress*

for Period Ending September 30, 2022

A photograph of a large, modern, multi-story building with a grid-like facade of windows, partially obscured by green trees. In the foreground, a dark blue sign with white text reads "DEPARTMENT OF ENERGY".

DEPARTMENT OF ENERGY

DOE-IG-0082

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MESSAGE FROM THE INSPECTOR GENERAL

The second half of Fiscal Year (FY) 2022 has continued to be an extremely busy time for both the Department of Energy and the Office of Inspector General (OIG). In addition to the funding the Department received under the Infrastructure Investment and Jobs Act (IIJA) that was signed last reporting period, Congress authorized and/or appropriated an additional \$65.5 billion to the Department during this reporting period by enacting the CHIPS and Science Act and the Inflation Reduction Act. These legislative efforts, culminating in the passage of three bills, resulted in nearly \$100 billion in appropriated funds and more than \$330 billion in loan authorities and guarantees for the Department. By way of context, the Department's budget in FY 2022 was \$45.3 billion. The OIG is currently working with Congress to ensure that the OIG budget will be expanded to conduct proper oversight of these newly appropriated funds.

Beginning with the passage of IIJA, the OIG has been working with the Department to understand its spending plan, and to identify areas that may be particularly susceptible to fraud, waste, and abuse. The OIG issued four "prospective considerations" reports in the areas of the Weatherization Assistance Program (WAP), the Loan Programs Office (LPO), Financial Assistance Awards, and the Office of Clean Energy Demonstrations (OCED). These reports compiled information from the OIG's past work to highlight previous issues identified by the OIG.

In FY 2022, in addition to continuing our performance audits across the Department's programs, the OIG established the Incurred Cost Audit Division within the Office of Audits to help advance the OIG's mission to provide oversight of the annual \$24 billion appropriation for the Department's Management and Operating (M&O) contractors. During the reporting period, the newly established Incurred Cost Division continued with its multi-year implementation plan by coordinating necessary changes with Department and M&O officials, hiring staff, and commencing audits. Despite substantial delays in Congressional funding, the OIG is on track to commence audits at all of the Department's M&O facilities by the end of FY 2023.

The Office of Inspections, Intelligence Oversight, and Special Projects has continued to work closely with the Office of Intelligence as we grow our oversight capability in this area. The Office of Inspections, Intelligence Oversight, and Special Projects has also worked closely with the Department on a project that will provide the OIG with dedicated and secure space to conduct classified work.

Over the course of the year, the Office of Investigations saw a steady rise in its case load. A portion of this increase relates to grant fraud and research security—the theft of intellectual property by individuals associated with countries of concern. Our research security investigations have highlighted systemic failures in the Department's certification and disclosure process for financial assistance recipients. The OIG has made recommendations to the Department to improve its processes, identify potential conflicts of interest, and better secure its research. Much more work needs to be done to combat the theft of intellectual property by our adversaries. This is a top priority for the OIG.

Our Data Analytics Division continues to identify federally owned systems which contain data that will allow more immediate identification of fraud, waste, and abuse by Federal employees and contractors. Access to the data in these systems is critical to the success of our Data Analytics program. With the massive increase in funding to the Department under the three recent bills, the use of data analytics has become even more urgent.

Thank you for your interest in our work and for taking the time to read our semiannual report.



Teri L. Donaldson
Inspector General

STATISTICAL HIGHLIGHTS

INVESTIGATIVE ACTIVITIES

| | |
|---|-------------|
| Cases Open as of March 31, 2022 | 244 |
| Cases Opened | 35 |
| Cases Closed | 41 |
| Cases Open as of September 30, 2022 | 238 |
| Multi-Agency Joint Cases Opened During Period | 10 |
| Qui Tam ¹ Investigations Opened During Period | 1 |
| Total Open Qui Tam Investigations as of September 30, 2022 | 11 |
| Total Investigative Reports ² Issued During Period | 6 |
| Administrative Discipline and Other Management Actions | 16 |
| Suspensions/Debarments ³ | 23 |
| Referrals for Suspension/Debarment ⁴ | 10 |
| Total Persons ⁵ Referred to a Prosecuting Authority | 29 |
| Department of Justice Referrals | 22 |
| State/Local Referrals | 7 |
| Referrals Accepted for Prosecution ⁶ | 13 |
| Total Indictments ⁷ /Criminal Informations | 16 |
| Indictments/Criminal Informations Resulting from Prior Period Referrals | 15 |
| Criminal Convictions | 12 |
| Pretrial Diversions | 1 |
| Civil Actions | 3 |
| Dollars Recovered ⁸ (Fines, Settlements, Recoveries) | \$8,532,702 |

¹For more information on Qui Tams, 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.

³This number includes proposed debarments issued under the Federal Acquisition Regulation (FAR). We report proposed debarments under the FAR because those actions have the same effect as a debarment or a suspension in accordance with Title 48 Code of Federal Regulations, § 9.405. Insofar as we are reporting these numbers to show the effect of OIG referrals, including proposed debarment under the FAR presents a more complete picture. Please note, however, that proposed debarments under the FAR are not final actions.

⁴This number reflects referrals for this reporting period. Suspensions/debarments reported may have been referred in prior reporting periods.

⁵Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

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

⁷Sealed indictments are included.

⁸Some of the money collected was the result of investigations involving multiple agencies.

STATISTICAL HIGHLIGHTS

AUDIT AND INSPECTION ACTIVITIES

| | |
|--|-----------|
| Total Reports Issued | 16 |
| Audit Reports Issued | 10 |
| Inspection Reports Issued | 2 |
| Technology and Data Analytics Reports Issued | 4 |

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, 2022 | 2 | \$19,000,000 |
| 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 | 0 | \$0 |
| (i) Agreed to by management | | |
| (ii) Not agreed to by management | | |
| 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 | 2 | \$19,000,000 |
| Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions. | | |
| Management Decision: Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response. | | |

AUDIT AND INSPECTION REPORTS AND TOTAL DOLLAR VALUE OF QUESTIONED AND UNSUPPORTED COSTS

| | TOTAL NUMBER | QUESTIONED COSTS | UNSUPPORTED COSTS | TOTAL COSTS |
|--|-----------------|---------------------|----------------------|-----------------|
| Reports issued before the reporting period that included questioned or unsupported costs for which decisions on dollars had not been made as March 31, 2022 | 19 | \$912,332,245 | \$261,001,730 | \$1,173,333,975 |
| Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made) | 1 | \$110,000 | \$0 | \$110,000 |
| Reports that include questioned or unsupported costs for which a decision on dollars was made during the reporting period | 3 | \$252,960,255 | \$0 | \$252,960,255 |
| (i) Value of disallowed costs | | \$9,654 | \$0 | \$9,654 |
| (ii) Value of costs not disallowed | | \$252,950,601 | \$0 | \$252,950,601 |
| Reports that include questioned or unsupported costs for which decisions on dollars have not been made at the end of the reporting period | 17 | \$659,481,990 | \$261,001,730 | \$920,483,720 |
| Questioned Costs: A cost that is: (1) unnecessary; (2) unreasonable; (3) or an alleged violation of law, regulation, contract, etc. | | | | |
| Unsupported Costs: A cost that is not supported by adequate documentation. | | | | |
| Management Decision: Management's evaluation of the finding and recommendations included in the audit and inspection report and the issuance of a final decision by management concerning its response. | | | | |

WHISTLEBLOWER ACTIVITIES

| | | |
|--|---|----|
| Whistleblower matters open as of March 31, 2022 | | 63 |
| Whistleblower matters opened this period | | 5 |
| Whistleblower matters closed this period | | 6 |
| Whistleblower matters closed via Investigative Reports | 0 | |
| Whistleblower matters closed via Letters | 6 | |
| Whistleblower matters open as of September 30, 2022 | | 62 |

HOTLINE ACTIVITIES

| | |
|---|--------------------|
| Total Hotline calls, emails, letters, and other complaints (contacts) | 2,357 ⁹ |
| Hotline contacts resolved immediately/ redirected/no further action | 2,154 |
| Hotline contacts predicated for evaluation | 203 |
| Total Hotline predications processed this reporting period | 196 ¹⁰ |
| Hotline predications transferred to OIG Program Office | 46 |
| Hotline predications referred to Department management or other entity for information/action | 90 |
| Hotline predications closed based upon preliminary OIG activity and review | 60 |
| Hotline predications open at the end of the reporting period | 7 |

⁹ This number refers to any contact that required Hotline staff review, including re-contacts for additional information and requests for disposition.

¹⁰ This number includes one predication carried over from the last semiannual reporting period.

ACTIONS TAKEN BY DEPARTMENT MANAGEMENT IN RESPONSE TO OIG REPORTS AND INVESTIGATIONS

During the reporting period from April 1, 2022, through September 30, 2022, the Department took positive actions resulting from OIG work conducted during the current or previous periods:

- ❖ During our review, *The Department of Energy's Unclassified Cybersecurity Program – 2021* (DOE-OIG-22-33, June 2022), our technical testing during FY 2021, confirmed that corrective actions had been taken to address weaknesses identified during prior year cybersecurity evaluations. As a result of actions taken by management, the OIG closed 27 of 35 (77 percent) recommendations made during prior year evaluations for findings related to areas such as configuration management, system integrity of web applications, and access controls.
- ❖ As a result of the inspection report, *Evaluation of the Aircraft Monitor and Control System's Nuclear Certification* (DOE-OIG-21-06), the Department took action to establish a joint working group with the Air Force to evaluate surveillance test requirements to support compatibility testing and alleviate testing constraints and duplication of some test collection efforts. In addition, this joint National Nuclear Security Administration (NNSA)/Air Force working group has also been tasked to identify potential sources for both Federal agencies to work together to share test data. As a result, a compatibility modernization sub-group was also established.
- ❖ The Department's Suspension and Debarment Official suspended a former Energy Information Administration (EIA) employee and their company from award of any Federal Government contracts, subcontracts, or assistance agreements and further proposed the parties for debarment. As previously reported in the September 30, 2021, and March 31, 2022, *Semiannual Reports to Congress*, the EIA employee pleaded guilty on November 16, 2021, to one count of Conspiracy to Commit Wire Fraud and was later sentenced to 30 days incarceration, supervised release for 3 years with special conditions, restitution in the amount of \$140,695, and a \$100 special assessment. The OIG investigation determined the EIA employee, while teleworking in Mobile, Alabama, fraudulently applied for and received an Economic Injury Disaster Loan in the amount of \$129,800. The EIA employee also received an additional cash advance in the amount of \$4,000 by falsely claiming the business had four employees. The employee admitted to providing fraudulent revenue and cost of goods amounts for their business on the online application. Additionally, the online application was made from a Department-controlled Internet Protocol address. This is an ongoing investigation.
- ❖ In response to an OIG referral, NNSA conducted an inquiry into concerns from two Sandia National Laboratories (SNL) employees that managers at SNL created a hostile workplace for female employees, were gender-biased against female scientists, and threatened female scientists after they questioned the integrity of a male colleague's scientific work. One of the employees has since left SNL. NNSA's

inquiry into the concern found one manager engaged in conduct that degraded, offended, and intimidated the complainants based on their gender. The inquiry also substantiated that a second manager violated the SNL Code of Ethics and Standard of Conduct by failing to provide high standards of integrity and quality. As a result of the investigation, one manager was demoted, is restricted from applying for management positions at SNL for 1 year, and is required to complete several trainings. The second manager is currently under review for corrective action.

- ❖ During our review *Corrective Actions on the Office of Enterprise Assessments Findings and Deficiencies* (DOE-OIG-22-32, May 2022), we found that the Department did not always fully address findings and deficiencies identified by the Office of Environment, Safety and Health Assessments. These issues occurred, in part, because the sites we reviewed did not always provide sufficient oversight pertaining to the Office of Environment, Safety and Health Assessments' findings and deficiencies, including inconsistent oversight of the issues management processes. In addition, the Office of Environment, Safety and Health Assessments' processes presented opportunities for improvement, including tracking findings and deficiencies. As a result of this audit, steps were taken to address some of the issues we identified. For example, new guidance was issued, and internal procedures were updated. Also, the Office of Environment, Safety and Health Assessments took actions to address our proposed recommendations related to the tracking and followup of its findings prior to the issuance of our report.
- ❖ In response to an OIG referral, the Office of Science conducted an inquiry into concerns that a supervisory employee in the Office of Scientific and Technical Information, Oak Ridge, Tennessee, was involved with a coworker and sexually harassed female employees with inappropriate comments and physical contact. The complainant alleged the supervisory employee emailed inappropriate material of a sexual nature to a coworker's private email address, and other female employees were fearful for themselves because it appeared the supervisory employee has targeted other female staff members. The complainant also alleged it is generally known that the supervisory employee and the coworker that he is in a relationship with exchange lewd messages during the workday. The Office of Science inquiry substantiated the allegation that the supervisory employee sent inappropriate email messages that contained offensive, profane, and sexual content to two female employees at the Office of Scientific and Technical Information. As a result of the investigation, the employee at the Office of Scientific and Technical Information resigned in lieu of involuntary action. Additionally, the Office of Science will conduct remedial actions, such as live training for all personnel, to address the issues identified with the culture at the Office of Scientific and Technical Information.
- ❖ NNSA's Office of Acquisition and Project Management issued suspension notices to a former SNL subcontractor and the subcontractor's company. As previously reported in the March 31, 2020, and March 31, 2022, *Semiannual Reports to Congress*, the former subcontractor pleaded guilty to 28 counts of False Claims in the United States (U.S.) District Court for the District of New Mexico. The OIG investigation determined that from July 2015 through February 2017, the former

subcontractor submitted false claims to SNL for air particle count monitoring and cleaning services not performed.

- ❖ In response to an OIG referral, the Office of Energy Efficiency and Renewable Energy conducted an inquiry into concerns that employees at Hill Country Community Action Association (HCCAA) in San Saba, Texas, were discriminating against weatherization applicants based on their nationality and race. The complainant alleged HCCAA required that naturalized applicants provide naturalization documents in addition to a valid U.S. passport for program eligibility. The Office of Energy Efficiency and Renewable Energy inquiry found that this HCCAA requirement of additional proof of U.S. citizenship for naturalized citizens was in violation of Texas Department of Housing and Community Affairs policy. As a result of the investigation, HCCAA was directed to correct its policies to reflect that a U.S. passport alone was sufficient to establish program eligibility for weatherization services.
- ❖ A contractor employee with Consolidated Nuclear Security, LLC, a M&O contractor for the Department, was terminated for fraudulently obtaining travel incentive funds intended to recruit non-local employees to build the Uranium Processing Facility at the Y-12 National Security Complex (Y-12). The employee received \$37,218 after submitting a lease agreement and twice certifying they had a permanent residence over 50 miles from Y-12. The investigation determined that the employee did not have a permanent residence over 50 miles from Y-12, had submitted a fake lease agreement, and later admitted to providing false certifications to Consolidated Nuclear Security, LLC
- ❖ In response to an OIG referral, the Office of Environmental Management (EM) conducted a review into concerns of deplorable work conditions of Security Police Officer posts in the K-Area Complex at the Savannah River Site. The complainant alleged these posts had pests, mold, and dust that had not been cleaned, and previous complaints to K-Area Complex and Centerra-Savannah River Site Management were not addressed. The EM review did not substantiate the allegations that K-Area Complex and Centerra-Savannah River Site Management had not addressed previous concerns, but partially substantiated the allegations related to cleanliness. Specifically, while these areas had received routine cleaning, there was a disconnect on what is an acceptable level of cleanliness. As a result of the review, EM recommended changes to the cleaning checklist and approval processes, as well as requesting routine pest control services.

TABLE OF PUBLISHED REPORTS

AUDITS

The following list identifies all audit reports issued from April 1, 2022, through September 30, 2022.

| DATE ISSUED | REPORT TITLE | NUMBER OF RECS | BETTER USE OF FUNDS | QUESTIONED COSTS | UNSUPPORTED COSTS |
|--------------|--|----------------|---------------------|------------------|-------------------|
| Apr 26, 2022 | Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program (DOE-OIG-22-30) | 0 | N/A | N/A | N/A |
| May 6, 2022 | <i>Followup on Issues Management at the Los Alamos National Laboratory</i> (DOE-OIG-22-31) | 1 | N/A | N/A | N/A |
| May 18, 2022 | <i>Corrective Actions on the Office of Enterprise Assessments Findings and Deficiencies</i> (DOE-OIG-22-32) | 6 | N/A | N/A | N/A |
| Jun 7, 2022 | <i>Prospective Considerations for the Loan Authority Supported Under the Loan Programs Office to Improve Internal Controls and Prevent Fraud, Waste, and Abuse</i> (DOE-OIG-22-34) | 0 | N/A | N/A | N/A |
| Jun 9, 2022 | <i>The Western Federal Power System's Fiscal Year 2021 Financial Statement Audit</i> (DOE-OIG-22-35) | 0 | N/A | N/A | N/A |

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April 1, 2022 – September 30, 2022

| DATE ISSUED | REPORT TITLE | NUMBER OF RECS | BETTER USE OF FUNDS | QUESTIONED COSTS | UNSUPPORTED COSTS |
|--------------|--|----------------|---------------------|------------------|-------------------|
| Jun 24, 2022 | <i>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2021 Agency Financial Report</i> (DOE-OIG-22-37) | 1 | N/A | N/A | N/A |
| Aug 9, 2022 | <i>The Southwestern Federal Power System's Fiscal Year 2021 Combined Financial Statements Audit</i> (DOE-OIG-22-38) | 0 | N/A | N/A | N/A |
| Aug 12, 2022 | <i>Prospective Considerations for Clean Energy Demonstration Projects</i> (DOE-OIG-22-39) | 0 | N/A | N/A | N/A |
| Aug 12, 2022 | <i>Prospective Considerations for Projects Awarded Through Financial Assistance Awards</i> (DOE-OIG-22-40) | 0 | N/A | N/A | N/A |
| Aug 24, 2022 | <i>Allegation Regarding Cost Savings Claimed at the Kansas City National Security Campus</i> (DOE-OIG-22-42) | 0 | N/A | N/A | N/A |

INSPECTIONS

The following list identifies all inspection reports issued from April 1, 2022, through September 30, 2022.

| DATE ISSUED | REPORT TITLE | NUMBER OF RECS | BETTER USE OF FUNDS | QUESTIONED COSTS | UNSUPPORTED COSTS |
|--------------|--|----------------|---------------------|------------------|-------------------|
| Apr 15, 2022 | <i>Fire Protection Concerns at the Waste Isolation Pilot Plant (DOE-OIG-22-29)</i> | 7 | N/A | N/A | N/A |
| Aug 15, 2022 | <i>Firearms Disposal at Los Alamos National Laboratory (DOE-OIG-22-41)</i> | 1 | N/A | N/A | N/A |

TECHNOLOGY AND DATA ANALYTICS

The following list identifies related reports issued from April 1, 2022, through September 30, 2022.

| DATE ISSUED | REPORT TITLE | NUMBER OF RECS | BETTER USE OF FUNDS | QUESTIONED COSTS | UNSUPPORTED COSTS |
|---------------|---|----------------|---------------------|------------------|-------------------|
| Jun 6, 2022 | <i>The Department of Energy's Unclassified Cybersecurity Program – 2021</i> (DOE-OIG-22-33) | 0 | N/A | N/A | N/A |
| Jun 10, 2022 | <i>The Department of Energy's Chief Information Officer's Business Operations Support Services Contract</i> (DOE-OIG-22-36) | 5 | N/A | \$110,000 | N/A |
| Sept 21, 2022 | <i>The Management of Emergency Communication Systems at the Oak Ridge Reservation</i> (DOE-OIG-22-43) This report contains Controlled Unclassified Information and is unavailable for public release. | 7 | N/A | N/A | N/A |
| Sep 22, 2022 | <i>Followup on the Department of Energy's Implementation of the Geospatial Data Act of 2018</i> (DOE-OIG-22-44) | 3 | N/A | N/A | N/A |

INVESTIGATIVE OUTCOMES

INVESTIGATIONS RESULTING IN REPORTABLE OUTCOMES

All OIG investigations that result in a reportable outcome are disclosed to the public in our *Semiannual Report to Congress*. The following table includes reportable outcomes during the period from April 1, 2022, through September 30, 2022.

| SUMMARY TITLE |
|--|
| Conviction in Research Security Investigation |
| Conviction in Grant Fraud Investigation |
| Information Filed in Grant Fraud Investigation |
| Sentencing in Grant Fraud Investigation |
| Guilty Plea in Time and Attendance Investigation |
| Reimbursement in Timecard Fraud Investigation |
| Civil Settlement in False Claims Act Investigation |
| Suspensions in False Claims Investigation |
| Suspension in Theft of Government Property Investigation |
| Employee Suspended in Controlled Substances Act Violation Investigation |
| Contractor Suspended in False Claims Investigation |
| Suspension in Department Employee Misconduct Investigation |
| Sentencing in Theft of Government Property Investigation |
| Sentencing in Child Exploitation Investigation |
| Sentencing in Entry by False Pretenses Investigation |
| Sentencing in Theft of Government Property Investigation |
| Conviction in Procurement Integrity Act Investigation |
| Administrative Compliance Agreement in False Claims Investigation |
| Termination in False Claims Investigation |
| Contractor Employee Placed on Administrative Leave in Destruction of Government Property Investigation |

INVESTIGATIONS INVOLVING UNAUTHORIZED PUBLIC DISCLOSURE OF CLASSIFIED INFORMATION

Pursuant to the requirement of Section 6718 of the National Defense Authorization Act, during the reporting period from April 1, 2022, through September 30, 2022, the work of the Office of Investigations included the following reports:

| | |
|---|----------------|
| 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. | Not Applicable |

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

There were no reportable actions for investigations involving an employee at the GS-15 level or above during the reporting period from April 1, 2022, through September 30, 2022.

ADMINISTRATIVE REMEDIES DIVISION

SUSPENSION AND DEBARMENT

The OIG refers matters to suspension and debarment authorities as part of our mission to ensure the program and operational integrity of the Department. These referrals also protect the rest of the Government. A suspended or debarred party is not eligible to engage in new procurement or non-procurement transactions. The exclusions, therefore, prevent participation in new contracts, grants, cooperative agreements, loan guarantees, and other transactions. The OIG's suspension and debarment practice provides forward-looking protection to complement the other remedies our work supports.

For example, the OIG referred an individual and the company for debarment for abuse of the Small Business Innovation Research (SBIR) program. This referral was based on evidence the company was a pass-through designed to obtain SBIR grants while actually controlled by a larger entity. The individual had pitched the idea of setting up the front company to the ineligible entity to access SBIR money. Related matters include a False Claims Act settlement.

Additionally, the OIG made several debarment referrals this reporting period based on false labor charges. In one illustrative case, a software engineer admitted to falsely claiming hours on a Government project for work he had not done. Monitoring and analysis showed the engineer was arriving late and leaving early or misrepresenting time spent teleworking. Ultimately, the subject entered into a plea agreement for a misdemeanor theft charge and was required to pay restitution. The debarment referral seeks to prevent similar misrepresentations on future contracts. Related matters include a criminal conviction and a resignation in lieu of termination.

ETHICS

During this reporting period, the OIG continued to provide ethics counseling services under the delegation we received in January 2022.

DATA ANALYTICS

The Department's contractors manage Government-owned facilities and conduct much of the Department's mission. Because the Department and the OIG have unlimited access to these Government-owned facilities and systems, the use of data analytics should be increasing at a substantial rate. The OIG's Data Analytics Division has quickly established its leadership role in this critical area and was a vital team member working on 34 audits, inspections, and investigations in FY 2022.

The Data Analytics Division is also driving innovation by conducting risk assessments and analyses. In FY 2022, the division designed and conducted 10 risk-assessments related to areas such as the Coronavirus Aid, Relief, and Economic Security Act, SBIR grants, subcontracts, collusion, and contractor overtime.

In addition, the Data Analytics Division has worked with the Department to identify more than 250 federally owned, contractor-operated business systems across the Department complex. These systems contain data that will enhance the performance of analyses focused on identifying and reducing fraud, waste, and abuse by Federal employees and contractors. Moving forward, the OIG's Data Analytics Division will continue to perform analyses of the highest areas of risk within the Department and implement risk models to identify adverse trends and fraud, waste, and abuse.

INCURRED COST AUDIT DIVISION

In FY 2022, the OIG established the Incurred Cost Audit Division within the Office of Audits to help advance the OIG's mission to provide oversight of the annual \$24 billion appropriation for the Department's M&O contractors. The division conducts and arranges for fully independent incurred cost audits to determine the allowability, allocability, and reasonableness of the costs claimed by the M&O contractors in their annual cost submissions. During the reporting period, the newly established Incurred Cost Division continued with its multiyear implementation plan by coordinating necessary changes with Department and M&O officials, hiring staff, and commencing audits.

COOPERATION WITH THE OFFICE OF INSPECTOR GENERAL

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period from April 1, 2022, through September 30, 2022, the Department neither interfered with OIG independence nor denied funding to OIG activities.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

During the reporting period from April 1, 2022, through September 30, 2022, the OIG

experienced delays accessing important data. However, based upon the continued efforts of both the OIG and Department senior staff, we expect these specific access issues will be resolved.

COMMENTS NOT PROVIDED BY THE DEPARTMENT WITHIN 60 DAYS

During the reporting period from April 1, 2022, through September 30, 2022, there were no audit or inspection reports with comments not provided within 60 days.

REPORTS LACKING MANAGEMENT DECISION

During the reporting period from April 1, 2022, through September 30, 2022, there were no audit or inspection reports lacking a management decision over 6 months.

DISAGREEMENT WITH MANAGEMENT DECISION

During the reporting period from April 1, 2022, through September 30, 2022, the OIG disagreed with the management decision for the following reports.

| DATE ISSUED | REPORT TITLE | STATUS |
|---------------|---|---|
| July 22, 2021 | <i>Protective Force Program at a Select National Nuclear Security Administration Site</i> (DOE-OIG-21-33) This report is Official Use Only and unavailable for public viewing. | A management decision has been received, and we are attempting to address a disagreement with the management decision pertaining to two of the recommendations. |
| Dec 21, 2021 | <i>Subcontract Administration at the Kansas City National Security Campus</i> (DOE-OIG-22-15) | A management decision has been received, and we are attempting to address a disagreement with the management decision pertaining to one recommendation. |
| Dec 21, 2021 | <i>Sandia National Laboratories Subcontract Closeout Process</i> (DOE-OIG-22-16) | A management decision has been received, and we are attempting to address a disagreement with the management decision pertaining to one recommendation. |

RECOMMENDATIONS NOT IMPLEMENTED

The following table identifies 53 reports with a total of 122¹¹ recommendations which were agreed to by the Department but have not been implemented as of September 30, 2022. The total potential cost savings associated with these reports is \$918,198,120.

¹¹Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2007, the Department has failed to agree on 4 recommendations issued by the OIG.

| DATE ISSUED | REPORT TITLE | TOTAL # OF OPEN RECS ¹² | POTENTIAL MONETARY BENEFIT ¹³ |
|--------------|---|------------------------------------|--|
| Dec 17, 2007 | <i>Beryllium Surface Contamination at the Y-12 National Security Complex</i> (IG-0783) | 1 | N/A |
| Nov 13, 2009 | <i>Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program</i> (OAS-M-10-01) | 1 | N/A |
| Jun 24, 2013 | <i>Mitigation of Natural Disasters at Los Alamos National Laboratory</i> (OAS-M-13-04) | 1 | N/A |
| Feb 14, 2014 | <i>The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories</i> (OAS-M-14-02) | 1 | N/A |
| Jun 22, 2015 | <i>The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology</i> (OAS-M-15-04) | 1 | N/A |
| Jul 10, 2015 | <i>The National Nuclear Security Administration's Management of Support Service Contracts</i> (OAS-M-15-05) | 1 | N/A |
| Sep 9, 2015 | <i>Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000</i> (OAS-V-15-03) | 1 | \$2,569,251 |
| Apr 26, 2017 | <i>Department of Energy's West Valley Demonstration Project</i> (DOE-OIG-17-05) | 1 | N/A |
| Oct 31, 2018 | <i>The Department of Energy's Funds Distribution System 2.0</i> (DOE-OIG-19-03) | 1 | N/A |
| Feb 14, 2019 | <i>Allegations Regarding Southwestern Power Administration's Procurement of the Pathways Core Training</i> (DOE-OIG-19-16) | 1 | \$17,349 |
| Mar 28, 2019 | <i>Preparedness for Firefighting Response at Los Alamos National Laboratory</i> (DOE-OIG-19-23) | 1 | N/A |
| Mar 29, 2019 | <i>Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2014 and 2015 Under Department of Energy Contract No. DE-AC04-94AL85000</i> (DOE-OIG-19-24) | 1 | \$5,583,067 |

¹² 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.

¹³ 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 ¹² | POTENTIAL MONETARY BENEFIT ¹³ |
|--------------|---|------------------------------------|--|
| May 20, 2019 | <i>Mitigation of Risks from Natural Disasters at Lawrence Berkeley National Laboratory</i> (DOE-OIG-19-32) | 1 | N/A |
| Jun 10, 2019 | <i>The Department of Energy's Management of the ActioNet Information Technology Support Contract</i> (DOE-OIG-19-35) | 1 | \$294,000,000 |
| Jun 25, 2019 | <i>Management of Consultant Services at Los Alamos National Laboratory</i> (DOE-OIG-19-36) | 1 | \$324,498 |
| Dec 19, 2019 | <i>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</i> (DOE-OIG-20-18) | 1 | N/A |
| Dec 26, 2019 | <i>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</i> (DOE-OIG-20-20) | 1 | \$8,458,966 |
| Jun 1, 2020 | <i>The Strategic Petroleum Reserve's Modernization Program</i> (DOE-OIG-20-43) | 2 | N/A |
| Jun 8, 2020 | <i>The Department of Energy's Management of Cleanup at the Paducah Site's C-400 Complex</i> (DOE-OIG-20-44) | 1 | N/A |
| Jul 6, 2020 | <i>The Department of Energy's Federal Employee Substance Abuse Testing Program</i> (DOE-OIG-46) | 2 | N/A |
| Jul 13, 2020 | <i>Audit Coverage of Cost Allowability for Sandia Corporation, from October 1, 2015, through April 30, 2017, under the Department of Energy Contract No. DE-AC04-94AL85000</i> (DOE-OIG-20-48) | 3 | \$420,640,865 |
| Jul 13, 2020 | <i>Audit Coverage of Cost Allowability for Nuclear Waste Partnership, LLC, from October 1, 2014, to September 30, 2017, under the Department of Energy Contract No. DE-EM0001971</i> (DOE-OIG-20-49) | 1 | \$31,760,414 |
| Jul 20, 2020 | <i>The Department of Energy's Storage and Disposition of Explosives Material at Selected Sites</i> (DOE-OIG-20-50) | 2 | N/A |
| Jul 20, 2020 | <i>Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site</i> (DOE-OIG-20-51) | 1 | \$63,800,000 |

| DATE ISSUED | REPORT TITLE | TOTAL # OF OPEN RECS ¹² | POTENTIAL MONETARY BENEFIT ¹³ |
|--------------|---|------------------------------------|--|
| Sep 30, 2020 | <u>Tank Waste Management at the Hanford Site</u> (DOE-OIG-20-57) | 1 | N/A |
| Dec 9, 2020 | <u>Evaluation of the Aircraft Monitor and Control System's Nuclear Certification</u> (DOE-OIG-21-06) | 2 | N/A |
| Dec 14, 2020 | <u>Contingency Planning Efforts for Information Technology Mission Support Systems at Selected Department of Energy Locations</u> (DOE-OIG-21-08) | 2 | N/A |
| Jan 19, 2021 | <u>Personnel Security Clearances and Badge Access Controls for Separated Employees</u> (DOE-OIG-21-12) | 2 | N/A |
| Feb 1, 2021 | <u>The Department of Energy's Wildland Fire Prevention Efforts at the Los Alamos National Laboratory</u> (DOE-OIG-21-13) | 5 | N/A |
| Apr 9, 2021 | <u>Fiscal Year 2016 Evaluation of Incurred Cost Coverage at the Pacific Northwest National Laboratory</u> (DOE-OIG-21-23) | 2 | \$363,789 |
| Apr 9, 2021 | <u>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at Sandia National Laboratories</u> (DOE-OIG-21-25) | 1 | N/A |
| Jun 11, 2021 | <u>Subcontractor-Performed Commercial Grade Dedication at Los Alamos National Laboratory</u> (DOE-OIG-21-28) | 1 | N/A |
| Jul 22, 2021 | <u>Protective Force Program at a Select National Nuclear Security Administration Site</u> (DOE-OIG-21-33) | 1 | N/A |
| Oct 25, 2021 | <u>Financial Assistance Allegations at the Golden Field Office</u> (DOE-OIG-22-02) | 3 | N/A |
| Nov 8, 2021 | <u>Allegations Related to the Y-12 National Security Complex Fire Department</u> (DOE-OIG-22-04) | 1 | N/A |
| Nov 10, 2021 | <u>Management of a Department Energy Site Cybersecurity Program</u> (DOE-OIG-22-05) | 14 | N/A |
| Dec 7, 2021 | <u>HPM Corporation Occupational Medical Service's Billings</u> (DOE-OIG-22-12) | 2 | \$44,168 |
| Dec 7, 2021 | <u>Allegations of Quality Assurance Irregularities in the National Spherical Torus Experiment Upgrade Recovery Project</u> (DOE-OIG-22-13) | 2 | N/A |
| Dec 21, 2021 | <u>Subcontract Administration at the Kansas City National Security</u> (DOE-OIG-22-15) | 2 | \$88,534,003 |
| Dec 21, 2021 | <u>Sandia National Laboratories Subcontract Closeout Process</u> (DOE-OIG-22-16) | 2 | \$2,093,155 |

| DATE ISSUED | REPORT TITLE | TOTAL # OF OPEN RECS ¹² | POTENTIAL MONETARY BENEFIT ¹³ |
|--------------|---|------------------------------------|--|
| Dec 23, 2021 | <u>Summary of Findings on Audits of Selected Department of Energy Childcare Centers</u> (DOE-OIG-22-17) | 2 | N/A |
| Dec 23, 2021 | <u>Allegations Regarding Management Conduct Within the Office of Economic Impact and Diversity</u> (DOE-OIG-22-18) | 4 | \$8,595 |
| Jan 3, 2022 | <u>Management Letter on the Department of Energy's Fiscal Year 2021 Consolidated Financial Statement Audit</u> (DOE-OIG-22-19) | 10 | N/A |
| Jan 12, 2022 | <u>Personal Property Items Held by Subcontractors at Lawrence Berkeley National Laboratory</u> (DOE-OIG-22-21) | 2 | N/A |
| Jan 14, 2022 | <u>Management Letter on The Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2021</u> (DOE-OIG-22-23) | 14 | N/A |
| Jan 27, 2022 | <u>Allegation of Unauthorized Derivative Classifier Reviewing Documents</u> (DOE-OIG-22-25) | 2 | N/A |
| Feb 8, 2022 | <u>Los Alamos National Laboratory Steam Plant Energy Savings Performance Contract – Phase One</u> (DOE-OIG-22-26) | 1 | N/A |
| Apr 14, 2022 | <u>Fire Protection Concerns at the Waste Isolation Pilot Plant</u> (DOE-OIG-22-29) | 1 | N/A |
| May 18, 2022 | <u>Corrective Actions on the Office of Enterprise Assessments Findings and Deficiencies</u> (DOE-OIG-22-32) | 2 | N/A |
| Jun 24, 2022 | <u>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2021 Agency Financial Report</u> (DOE-OIG-37) | 1 | N/A |
| Aug 15, 2022 | <u>Firearms Disposal at Los Alamos National Laboratory</u> (DOE-OIG-22-41) | 1 | N/A |
| Sep 21, 2022 | <u>The Management of Emergency Communication Systems at the Oak Ridge Reservation</u> (DOE-OIG-22-43) | 7 | N/A |
| Sep 27, 2022 | <u>Followup on the Department of Energy's Implementation of the Geospatial Data Act of 2018</u> (DOE-OIG-22-44) | 3 | N/A |

Total Open Recommendations

122

\$918,198,120

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The OIG had no reports undisclosed to the public for the reporting period from April 1, 2022, through September 30, 2022; however, one of the reports the OIG disclosed includes Controlled Unclassified Information and is not publicly available.

LEGISLATIVE AND REGULATORY REVIEWS

Most of the legislative reviews occurring during this period took place at the request of the Council of the Inspectors General on Integrity and Efficiency's Legislation Committee. The OIG gave substantive input on several legislative proposals, including the retention of an analytics capability for the OIG community and certain other structural reforms related to OIG operations.

PEER REVIEWS

| PEER REVIEWS CONDUCTED BY DEPARTMENT OF ENERGY OIG APRIL 1, 2022 – SEPTEMBER 30, 2022 | | | |
|--|---------------------|--------------|-----------------------------|
| TYPE OF REVIEW | DATE OF PEER REVIEW | OIG REVIEWED | OUTSTANDING RECOMMENDATIONS |
| Audit | None | N/A | N/A |
| Inspection | None | N/A | N/A |
| Investigation | None | N/A | N/A |

| PEER REVIEWS CONDUCTED BY OTHER OIGS APRIL 1, 2022 – SEPTEMBER 30, 2022 | | | | |
|--|---------------------|---|-----------------------------|-----------------------------|
| TYPE OF REVIEW | DATE OF PEER REVIEW | REVIEWING OIG | FREQUENCY REQUIREMENT | OUTSTANDING RECOMMENDATIONS |
| Audit | October 2021 | Department of Housing and Urban Development | At least once every 3 years | None – Pass |
| Inspection | None | N/A | N/A | N/A |
| Investigation | None | N/A | N/A | N/A |

SUMMARY OF SELECT ACTIVITIES

Conviction in Research Security Investigation

A Department grant recipient was found guilty by a jury in the U.S. District Court for the District of Kansas on three counts of Wire Fraud and one count of False Statements. A subsequent judicial decision overturned the grant recipient's conviction on the Wire Fraud counts but upheld the conviction on False Statements. As previously reported in the March 31, 2020, and September 30, 2020, *Semiannual Report to Congress*, the OIG investigation found that the grant recipient, a professor at the University of Kansas, created a scheme to defraud the Government by failing to disclose on grant proposals to the Department an existing affiliation with, and contractual obligations to, a Chinese university. The grant recipient also failed to disclose this conflict of interest to the University of Kansas. As a result, the grant recipient was able to improperly obtain funds derived from numerous Federal grants, including funding from the Department and the National Science Foundation. This was a joint investigation with the Federal Bureau of Investigation and the National Science Foundation OIG.

Conviction in Grant Fraud Investigation

A Department grantee, a co-owner of a scientific research company, was found guilty by a jury in the U.S. District Court for the Eastern District of Kentucky on one count of Conspiracy to Commit Wire Fraud, one count of Wire Fraud, and one count of Money Laundering, and ordered to forfeit 11 seized bank accounts and other property, and pay a monetary judgment of \$1,548,000. As previously reported in the September 30, 2020, March 31, 2021, September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the investigation determined the co-owner received approximately \$1.2 million in Department SBIR and Small Business Technology Transfer grants and \$500,000 in Kentucky state matching funds, and provided false information in their proposals and subsequent close-out documents. The other co-owner of the company pleaded guilty to one count of Conspiracy to Commit Wire Fraud and two counts of Wire Fraud in August 2021 and was sentenced to 6 months of imprisonment and 6 months of home confinement, and was subsequently referred for debarment from Government contracting. They were also ordered to pay \$999,266 in restitution to the Department and \$100,000 in restitution to the U.S. Environmental Protection Agency. This is an ongoing investigation. The DOJ press release for the prior sentencing can be found [here](#).

Information Filed in Grant Fraud Investigation

A Department Small Business Technology Transfer grant recipient was charged by the District Attorney's Office for Salt Lake County, Utah, with one count each of Misuse of Public Money, Unlawful Dealing of Property by a Fiduciary, Communications Fraud, Theft, Theft by Deception and Pattern of Unlawful Activity. The OIG investigation found the grant recipient billed the Department and the U.S. Army for fringe benefits that were never paid to employees. The loss to the Government was approximately \$367,805. This is a joint investigation with the U.S. Army Criminal Investigation Division Major Procurement Fraud Unit.

Sentencing in Grant Fraud Investigation

Two Department grant recipients and their respective owners were sentenced in the U.S. District Court for the Southern District of Florida after having pleaded guilty to a Criminal Information charging Conspiracy to Commit Wire Fraud, Aiding and Abetting Computer Access Without Authorization, and Possession of a False Identification Document. The two companies, which had received funding under the SBIR and Research and Small Business Technology Transfer programs, were each placed on probation for 3 years with special conditions and ordered to pay restitution in the total amount of \$2,902,985. One of the two owners was sentenced to imprisonment for 32 months, followed by 1 year of supervised release with special conditions, and ordered to pay a \$100 special assessment along with restitution in the amount of \$1,749,777. The other owner was sentenced to probation for 2 years with special conditions, and a \$25 special assessment. The OIG investigation determined that in their proposals to the Department and multiple other U.S. agencies for SBIR funding, the companies falsely certified that all research and development would be completed in its entirety in the U.S. However, the companies had contracted with a foreign company in Venezuela to complete the work and, as such, had non-U.S. citizens performing the research. This was a joint investigation with Homeland Security Investigations, NASA OIG, Department of Defense OIG, and the Army Criminal Investigation Division. The DOJ press release can be found [here](#).

Conviction in \$9 million of Fraudulently Obtained Subcontracts at Strategic Petroleum Reserve

A former contractor employee was found guilty on one count of Conspiracy to Defraud the U.S. and one count of False Official Statements following a jury trial in the U.S. District Court for the Eastern District of Louisiana. As reported in the September 30, 2020, and March 31, 2021, *Semiannual Report to Congress*, the investigation determined the former contractor employee conspired with a Department subcontractor at the Strategic Petroleum Reserve to give the subcontractor an unfair advantage when submitting bids by providing non-public pricing information in violation of the Procurement Integrity Act. The investigation further determined that from February 2002 through October 2016, the subcontractor received subcontracts totaling approximately \$9 million for the provision of equipment and services at the various Strategic Petroleum Reserve facilities. To receive these subcontracts, the company conspired with the former contractor employee to obtain non-public Government pricing information in advance of submitting its proposals, which resulted in over 90 percent of the awards made to the subcontractor. When interviewed, the former contractor employee lied to the OIG investigator about their association with the subcontractor. This is an ongoing investigation. The DOJ press release is available [here](#).

Sentencing in Theft of Government Property Investigation

A former contractor employee of Western Area Power Administration was sentenced in the U.S. District Court for the District of Colorado to 55 months in prison, 3 years of supervised release, and a \$100 special assessment, and was ordered to pay \$879,392.27 in restitution jointly with other defendants. As previously reported in the March 31, 2020, September 30, 2020, March 31, 2021, September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the investigation determined that numerous Department vendors participated in

a fictitious billing scheme, conspiring with a Department contractor employee tasked with inventory management duties at a Department-owned warehouse. The warehouse employee submitted fictitious purchase orders to the vendor companies to order goods for the warehouse. Most of the goods ordered from the vendor companies were never received by the warehouse, and the proceeds from the purchases were stolen by the warehouse employee and vendors involved in the scheme. The OIG also referred the defendant for debarment consideration. This was a joint investigation with the Federal Bureau of Investigation and General Services Administration OIG. The Department of Justice (DOJ) press release can be found [here](#).

Guilty Plea in Time and Attendance Investigation

A former contractor employee at the Pacific Northwest National Laboratory pleaded guilty to Theft in the Third Degree in the Benton County District Court of Washington. The former employee was sentenced to a suspended sentence of 364 days in prison and 2 years of supervised probation, and was ordered to pay restitution in the amount of \$22,753.03 and \$700 in court costs. As previously reported in the September 30, 2020, March 31, 2021, and September 30, 2021, *Semiannual Report to Congress*, the OIG investigation found the former contractor employee falsely claimed hours they did not work. During an OIG interview, the former contractor employee admitted to intentionally falsifying timecards, leaving work early without taking leave, arriving to work late, and teleworking without evidence of completing work activities. This is an ongoing investigation.

Civil Settlement in False Claims Act Investigation

A Department vendor, a Colorado-based scientific equipment supply company, and its owner entered into a \$625,000 Civil Settlement Agreement with the U.S. DOJ to resolve False Claims Act violations. Specifically, it was alleged the vendor and owner failed to comply with the requirements of the Buy American Act when selling scientific instruments to national laboratories and multiple Federal agencies. The OIG investigation found that the vendor and owner knowingly violated the Buy American Act by falsely certifying that scientific instruments sold to the Government pursuant to contracts containing domestic-preference requirements were in fact manufactured in China. This was a joint investigation with other Federal law enforcement agencies. The DOJ press release can be found [here](#).

Contractor Suspended in False Claims Investigation

HPM Corporation (HPMC), a Hanford Site Prime Contractor, and its owners were notified by the U.S. Small Business Administration (SBA) that due to their admitted illegal activities involving an application for forgiveness of an SBA Paycheck Protection Program (PPP) loan totaling \$1.4 million, HPMC and its owners were suspended from conducting business with the Federal Government pending the completion of legal or any debarment proceedings that may ensue. As previously reported in the March 31, 2022, *Semiannual Report to Congress*, in August 2021, as part of the global resolution, HPMC and its owners admitted that they knowingly provided materially false statements to the SBA in support of HPMC's application for forgiveness of the PPP loan by falsely stating that the PPP loan proceeds had been used for payroll and other eligible expenses when they had not been, with some funds being diverted to the owners personally. The OIG investigation determined that HPMC had received a \$1.4 million PPP loan for payroll forgiveness during COVID-19, even though

HPMC had continuously been paid by the Department during COVID-19; therefore, they did not need the loan. Additionally, the OIG's Office of Audits had been conducting an audit regarding the Coronavirus Aid, Relief, and Economic Security Act and contractor paid leave. The audit found that the PPP loan HPMC had received was never used to cover any business operations, to include payroll or other facility expenses. This was a joint investigation with the SBA OIG.

Suspension in Department Employee Misconduct Investigation

The Department's Suspension and Debarment Official suspended a former EIA employee and their company from award of any Federal Government contracts, subcontracts, or assistance agreements and further proposed the parties for debarment. As previously reported in the September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the EIA employee pleaded guilty in the U.S. District Court for the Southern District of Alabama on November 16, 2021, to one count of Conspiracy to Commit Wire Fraud and was later sentenced to 30 days of incarceration, supervised release of 3 years with special conditions, restitution in the amount of \$140,695, and a \$100 special assessment. The OIG investigation determined the EIA employee, while teleworking in Mobile, Alabama, fraudulently applied for and received an Economic Injury Disaster Loan in the amount of \$129,800. The EIA employee also received an additional cash advance in the amount of \$4,000 by falsely claiming the business had four employees. The employee admitted to providing fraudulent revenue and cost of goods amounts for their business on the online application. The online application was made from a Department-controlled Internet Protocol address. This is an ongoing investigation.

Suspensions in False Claims Investigation

NNSA's Office of Acquisition and Project Management issued suspension notices to a former SNL subcontractor and the subcontractor's company. As previously reported in the March 31, 2020, and March 31, 2022, *Semiannual Report to Congress*, the former subcontractor pleaded guilty to 28 counts of False Claims in the U.S. District Court for the District of New Mexico. The OIG investigation determined that from July 2015 through February 2017 the former subcontractor submitted false claims to SNL for air particle count monitoring and cleaning services not performed. This is an ongoing investigation.

Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program

For FY 2021, WAP received \$315 million in appropriations. The 2021 Infrastructure Law includes \$3.5 billion for WAP over 5 years, or about \$700 million in funding per year added to the enduring program appropriations. These funds may be spent over a 10-year period. WAP funds are distributed to states, territories, and tribes via grants. These government entities then distribute grants to Community Action Agencies that manage WAP activities in communities across the Nation.

As a result of the OIG's previous efforts, we have identified prospective considerations that Department leadership should consider to enhance internal controls and prevent fraud, waste, and abuse. We examined 15 completed investigations that resulted in investigative outcomes, including 7 criminal convictions, 20 persons excluded from Federal Government

contracting, and over \$2.25 million recovered. We issued audit and examination reports demonstrating problems with substandard work, billing errors, unapproved work order changes, unperformed or undocumented final inspections, and charges for unsupported costs. We also issued audit, examination, and inspection reports identifying problems with verifying applicant eligibility. In prior reports, we observed insufficient oversight at both the state level and with Community Action Agencies. In reviewing prior audit and investigation work related to WAP, we noted that the Department did not act often or quickly to impose administrative remedies on bad actors.

We suggest that the Department consider reserving and allocating Infrastructure Law funds as necessary expenses for the Department, grantees, and subgrantees to improve both the design and the testing of internal controls. However, we made no formal recommendations in this report.

Special Report on Prospective Considerations for the Loan Authority Supported Under the Loan Programs Office to Improve Internal Controls and Prevent Fraud, Waste, and Abuse

Under the 2021 Infrastructure Law, the Department's Office of Fossil Energy and Carbon Management is to receive \$2.1 billion to implement the new Carbon Dioxide Transportation Infrastructure Finance and Innovation Program, which can be distributed through loans, loan guarantees, or grants. To carry out this new program, the Department entered into a Memorandum of Understanding with the LPO to administer the funding based on its experience in evaluating financing for large-scale energy infrastructure projects and issuing Government loans and loan guarantees. In addition to the impending Infrastructure Law funding, the LPO currently administers three distinct loan programs with more than \$40 billion in loan and loan guarantee authority, as well as manages a portfolio comprising of more than \$30 billion of loans, loan guarantees, and conditional commitments.

The OIG has identified prior reports from six audits, two inspections, and numerous investigations regarding the LPO. Additionally, we identified several Government Accountability Office reports related to the LPO. Based on our review of this body of work, we identified four major risk areas that warrant immediate attention and consideration from Department leadership to prevent similar problems from recurring. Specifically, this includes: insufficient Federal staffing; inadequate policies, procedures, and internal controls; lack of accountability and transparency; and potential conflicts of interest and undue influence.

As part of this effort, we discussed the risk areas highlighted above with LPO officials. According to LPO officials, actions have been taken or were underway to address the risk areas. For example, officials asserted that the number of staff has significantly increased in recent years and additional positions are being actively pursued to ensure sufficient staffing exists to meet program needs. In addition, officials indicated that enhanced policies and procedures are in place that address previously identified weaknesses. These policies include more stringent documentation requirements and require the LPO to conduct an annual assessment of internal controls to validate their effectiveness. Further,

LPO officials noted that administrative remedies would be considered and pursued as necessary as the program moves forward with new loans and loan guarantees.

While LPO officials asserted that actions have been taken or were underway to address the risk areas, we did not perform test work to determine whether the actions will be fully effective to correct previously identified weaknesses. As such, we have identified several prospective considerations to help prevent fraud, waste, and abuse as the Department moves forward with financing projects funded through the Infrastructure Law and existing loan authorities. As a top priority, we suggest that the LPO undertake proper staffing, and develop comprehensive policies, procedures, and internal controls to ensure the Government and taxpayers are adequately protected.

Special Report on Prospective Considerations for Clean Energy Demonstration Projects

IIJA was signed into law on November 15, 2021. In December 2021, the Department established the new OCED to oversee the \$21.5 billion in IIJA funding for clean energy demonstration projects for innovative technologies like clean hydrogen, carbon capture, grid-scale energy storage, and advanced nuclear reactors. Demonstration projects test the effectiveness of innovative technologies in real-world conditions at scale, often leveraging public-private partnerships to pave the way towards commercialization and widespread deployment.

After reviewing prior reports and casework related to the Department's management of financial assistance awards for demonstration projects, the OIG identified five broad areas that warrant additional attention from senior Department leadership as it moves forward with IIJA-funded demonstration projects under the OCED.

Prior audit reports show that insufficient Federal staffing adversely affected the Department's ability to administer clean energy demonstration projects funded through financial assistance awards. We identified prior OIG and Government Accountability Office reports demonstrating instances when the Department bypassed project controls such as performance milestones, budget phases, and cost share requirements put in place to mitigate technical and financial risks. We identified audit reports highlighting insufficient oversight of demonstration projects. Prior audit reports show inadequate internal controls related to oversight of financial aspects of clean energy projects. Prior audit reports show that the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and in compliance with applicable policies, procedures, and best practices.

As the Department moves forward with its IIJA and other appropriation projects, this report identified several prospective considerations that OCED leadership should consider to enhance internal controls to help prevent fraud, waste, and abuse. In particular, we suggest that the OCED take steps to set aside sufficient resources for Federal staffing, as well as sufficient resources to build robust internal controls and independent oversight systems to prevent and detect foreseeable problems to ensure that the Government and taxpayers are adequately protected. We made no formal recommendations in this report.

Special Report on Prospective Considerations for Projects Awarded Through Financial Assistance Awards

We initiated this capstone review to summarize any historic reports that may serve to improve internal controls to help prevent fraud, waste, and abuse as the Department launches its IIJA and other appropriations-funded projects distributed through financial assistance awards.

We identified six major risk areas that warrant immediate attention from Department leadership to prevent similar problems from recurring. These six areas include: recipient fraud; insufficient Federal staffing; inadequate oversight of projects; circumvention of project controls; inadequate internal controls; and lack of recipient-level controls.

As the Department moves forward with its IIJA and other appropriation projects, this report identified several prospective considerations to help mitigate risk associated with financial assistance awards. In particular, we suggest that the Department take steps to set aside sufficient resources for Federal staffing, develop comprehensive policies and procedures, and build strong internal controls to ensure that the Government and taxpayers are adequately protected. We made no formal recommendations in this report.

The Department of Energy's Unclassified Cybersecurity Program – 2021

The Federal Information Security Modernization Act of 2014 requires the OIG to conduct an annual independent evaluation to determine whether the Department's unclassified cybersecurity program adequately protected its data and information systems during the FY. As part of that evaluation, the OIG is required to assess the Department's cybersecurity program according to the Federal Information Security Modernization Act of 2014 security metrics issued by the Department of Homeland Security, the Office of Management and Budget, and the Council of the Inspectors General on Integrity and Efficiency.

We conducted this evaluation to determine whether the Department's unclassified cybersecurity program adequately projects data and information systems.

Our FY 2021 evaluation determined that the Department, including NNSA, had taken actions to address many previously identified weaknesses related to its unclassified cybersecurity program. Weaknesses included areas related to: risk management, supply chain risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning. Many of the deficiencies were similar in type to those identified in our prior evaluations.

The identified weaknesses in the Department's unclassified cybersecurity program occurred for a variety of reasons. For instance, weaknesses related to configuration management, information security continuous monitoring, and contingency planning generally occurred because of deficiencies in related processes and procedures. In addition, some of the identity and access management issues we identified occurred because officials were unaware of current account management requirements.

To correct the cybersecurity weaknesses identified throughout the Department, we made 61 recommendations to programs and sites during FY 2021, including those identified during this evaluation and in other issued reports. Corrective actions to address each of the recommendations, if fully implemented, should help to enhance the Department's unclassified cybersecurity program. Management concurred with the recommendations issued to programs and sites related to improving the Department's overall cybersecurity program.

The Department of Energy's Chief Information Officer's Business Operations Support Services Contract

The Department's Chief Information Officer's Business Operations Support Services (CBOSS) contract, which replaced, in large part, the prior contract with ActioNet, Inc., is a single-award blanket purchase agreement with 1 base year, 4 optional years, and an initial potential value of \$2 billion. Under the CBOSS contract, the contractor teaming arrangement was designed to provide cybersecurity, information technology operations, telecommunications, and other information technology support to various Department elements.

The objective of this audit was to determine whether the Department's CBOSS contract was effectively managed.

Our audit identified weaknesses related to other aspects of direct cost fee transparency, as well as application and management of the contract performance assessment process: (1) Fees associated with CBOSS other direct cost purchases lacked transparency at the beginning of the contract; (2) the Department may have paid at least \$110,000 more than agreed to across the other direct cost purchases we sampled for testing; (3) Contractor Performance Assessment Report evaluations we reviewed were not completed in a timely manner.

The issues we identified occurred, in part, because contracting officials did not ensure that all elements of the Department's contract clause for invoicing were fully incorporated into the CBOSS contract. In addition, fee percentages beyond 11 percent were due to inconsistencies in how fees were applied and a lack of clearly disclosed agreed-upon amounts. Further, delays related to Contractor Performance Assessment Report evaluations occurred because the Department had not implemented an effective process to ensure their timely completion.

We made five recommendations and three suggestions that should, if fully implemented, improve the management and oversight of the current CBOSS contract and future information technology contracts. Management concurred with the recommendations and provided corrective actions that are responsive to our recommendations.

Followup on the Department of Energy's Implementation of the Geospatial Data Act of 2018

The Geospatial Data Act of 2018 (Act) was signed into law in October 2018 to help develop, drive, and manage the National Spatial Data Infrastructure, which includes the technology,

policies, criteria, standards, and employees necessary to promote geospatial data sharing throughout Federal, state, tribal, and local governments, and the private sector. The Act outlines requirements for Federal geospatial data governance structures, encourages organized use and collaboration within agencies, and promotes broader sharing of geospatial data—information linked to specific geographic locations—across agencies. The Act requires the OIG to report on the Department’s collection, production, acquisition, maintenance, distribution, use, and preservation of geospatial data. In particular, the OIG is required to evaluate compliance with: (1) standards for geospatial data, including metadata for geospatial data established under the Act; (2) the agency responsibilities and requirements under the Act; and (3) limitations on the use of Federal funds under the Act. In September 2020, we released the results of our inaugural review that evaluated the Department’s initial efforts to implement the Act. We found that although the Department had initiated or completed actions related to each of the covered agency responsibilities, we determined that it had not fully implemented 12 of the 13 requirements outlined in the Act. We conducted our current audit to determine whether the Department met the requirements of the Act. This report documents the results of our test work.

Due to limitations with agencies’ abilities to implement the Act, our test work was limited to identifying the Department’s efforts to implement the 13 covered agency responsibilities contained in Section 759 of the Act. In particular, the Federal Geographic Data Committee had not yet adopted or endorsed any Geospatial Data Theme Standards at the time of our review. As such, and consistent with current guidance issued by the Council of the Inspectors General on Integrity and Efficiency, we did not evaluate the effectiveness of the Department’s efforts to implement these standards or to limit the use of Federal funds for geospatial data at this time. Our audit found that while the Department had taken some additional steps to implement the Act since our initial report in September 2020, significant work remained to fully implement the Act’s requirements. Specifically, the Department had completed additional actions related to the 13 covered agency responsibilities; however, we determined that it still had not fully implemented 12 of the requirements. For instance, we found:

- Although the Department prepared and published a geospatial data strategy in support of the strategic plan for the National Spatial Data Infrastructure, as required by the Act, it had not implemented the strategy to advance geographic information, related geospatial data, and activities appropriate to its mission.
- The Department also had not completed its geospatial data inventory and, therefore, did not optimize data integration between its geospatial users. Further, the Department had not ensured that all geospatial data included metadata and that the metadata was available through the GeoPlatform, as required by the Act.

These concerns occurred, in part, because progress on the development and issuance of an implementation plan for the *Department of Energy Geospatial Data Management Strategy 2021–2025* had been delayed. Additionally, there was confusion among program and site officials about the amount and types of geospatial data that existed within the Department. We also noted a general lack of awareness of the Department’s centralized geospatial data information sites dedicated to the sharing of geospatial data best practices and tools.

Although we determined that the Department had made progress since our last review, significant work remains for it to meet the Act's requirements. We made three recommendations that, if fully implemented, will improve understanding and implementation of the Act. In particular, we recommend that the Department's Chief Information Officer: (1) determine the actions, milestones, and resources needed to fully implement the *Department of Energy Geospatial Data Management Strategy 2021–2025* and issue a corresponding implementation plan to the Department's geospatial data users; (2) develop and implement a process to increase engagement with the Department's program offices and field sites to ensure that the requirements of the Act are better understood; and (3) develop a mechanism to ensure all Department program offices and field sites can access the Department's centralized geospatial data information.

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ABOUT THE DEPARTMENT AND THE OIG

The U.S. Department of Energy is headquartered in Washington, DC, and is also responsible for 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 nearly 15,000 Federal employees and 115,000 contract 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 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 Departmental programs and activities as well as the related activities of persons or parties associated with Departmental 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.

OIG HOTLINE CONTACT INFORMATION

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

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| 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 |
| Fax | 202-586-4902 |
| Email Address | ighotline@hq.doe.gov |
| Mailing Address | U.S. Department of Energy Office of Inspector General ATTN: IG Hotline 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 email your comments to OIGPublicAffairs@hq.doe.gov.