



U.S. DEPARTMENT OF
ENERGY

Office of
Inspector General

SEMIANNUAL REPORT TO CONGRESS

for Period Ending
September 30, 2021

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MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present the Office of Inspector General's (OIG) latest semiannual report for the end of fiscal year (FY) 2021. I recognize that this year has presented extraordinary challenges. The OIG team has continued its exceptional effort, while operating in a maximum telework posture and with extremely limited travel. I remain very proud of all our employees. We have worked with the Department, Congress, the Office of Management and Budget (OMB), and the OIG community to continue focusing on our mission of protecting the tax dollars that fund the Department's vital programs. Here are some of the highlights accomplished during this reporting period, beginning with our Data Analytics Division.

The future of both the Department's oversight and the OIG's oversight may very well rest on the effective use of data analytics. The use of data analytics is particularly important at the Department because much of its funding flows to its management and operating (M&O) contractors, leaving a relatively smaller pool of resources to conduct oversight. 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. I'm proud to report that the OIG's Data Analytics Division has quickly established a leadership role in this critical area. During this past year, the Data Analytics Division was a vital team member working on more than 30 audits, inspections, and investigations. This division is also driving innovation by conducting proactive analyses aimed at producing leads and referrals for future work. I look forward to the continued cooperation of the contractors as both the Department and the OIG achieve direct read only access to the business systems containing the information most useful to detecting fraud, waste, and abuse.

Our Office of Inspections, Intelligence Oversight, and Special Projects (OIIS) continued its work in areas of timekeeping and mandatory disclosures. Labor charges are the Department's largest expense, and working alongside the Data Analytics Division and the Office of Investigations (OI), the OIIS is looking into potential timecard fraud at multiple Department sites. In addition, the OIIS conducted several inspections related to contractor compliance with the Mandatory Disclosure Rule and is currently compiling the results of these inspections and developing a strategy to address lapses the inspections uncovered. The Mandatory Disclosure Rule is a significant element of contractor integrity and mandates the disclosure of potential fraud and similar abuse of taxpayer dollars when a contractor is aware of potential violations.

Our OI experienced a 30 percent increase in caseload over the last year, including an increase of 20 percent in criminal investigations. The increases the OI is seeing include both the volume of investigations and the dollar value of contractor fraud cases being investigated. More specifically, the OI has seen an 18 percent increase in both cases involving contract and grant fraud and the integrity of Government officials. Additionally, within the OI, the Cyber Investigation and Forensic Analysis Unit has implemented an eDiscovery system in support of the entire OIG that will allow it to collect, store, and review documents and data for analysis.

In April, we released our Special Project Report on the Cooperative Audit Strategy. This report summarized our multi-year review of the strategy and recommended that the Department transition to independent incurred cost audits at 23 of its M&O contractors. After the release of the report, our Office of Management and Administration worked diligently to create the OIG's new Incurred Cost Audit Division, which will perform audits once FY 2022 funding is appropriated and available for use. This newly created division stands ready to begin these audits, ensuring proper oversight of the billions of dollars that the Department pays to the M&O contractors on an annual basis.

Thank you for reading our semiannual report which highlights some of the OIG's outstanding work. In our next semiannual report, we will add two new features:

First, we will track and report on the cooperation necessary to achieve the direct read only access that is critical to the successful use of data analytics. We have identified approximately 220 contractor-operated business systems relevant to this initiative and will describe our progress accessing these systems and comment on any remaining impediments. Second, we will report the progress of our newly established Incurred Cost Audit Division.



Teri L. Donaldson
Inspector General

STATISTICAL HIGHLIGHTS

INVESTIGATIONS

INVESTIGATIVE ACTIVITIES

Cases Open as of April 1, 2021	221
Cases Opened	58
Cases Closed	39
Cases Open as of September 30, 2021	240
Multi-Agency Joint Cases Opened During Period	12
Qui Tam ¹ Investigations Opened During Period	2
Total Open Qui Tam Investigations as of September 30, 2021	12
Total Investigative Reports ² Issued During Period	9
Administrative Discipline and Other Management Actions	7
Suspensions/Debarments ³	18
Total Persons ⁴ Referred to a Prosecuting Authority	28
Department of Justice Referrals	26
State/Local Referrals	2
Referrals Accepted for Prosecution ⁵	20
Total Indictments ⁶ /Criminal Informations	11
Indictments/Criminal Informations Resulting from Prior Period	8
Referrals	8
Criminal Convictions	8
Pre-trial Diversions	1
Civil Actions	5
Dollars Recovered ⁷ (Fines, Settlements, Recoveries)	\$11,069,558

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). OIG reports proposed debarments under the FAR because those actions have the same effect as a debarment or a suspension in accordance with 48 Code of Federal Regulations, Section 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.

⁴Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

⁵Some referrals accepted during the 6-month period were referred for prosecution during a previous reporting period.

⁶Sealed indictments are included.

⁷Some of the money collected was the result of investigations involving multiple agencies.

STATISTICAL HIGHLIGHTS

AUDITS AND INSPECTIONS

AUDITS AND INSPECTION ACTIVITIES

Total Reports Issued	20
Audit Reports Issued	16
Inspection 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 September 30, 2021	3	\$20,900,000
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	3	\$20,900,000
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.		

REPORTS AND TOTAL DOLLAR VALUE OF QUESTIONED AND UNSUPPORTED COSTS

AUDIT AND INSPECTION REPORTS	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 of September 30, 2021	18	\$1,212,401,693	\$261,001,902	\$1,473,403,595
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made)	4	\$9,911,008	\$0	\$9,911,008
Reports that include questioned or unsupported costs for which a decision on dollars was made during the reporting period	3	\$35,670,436	\$0	\$35,670,436
(i) Value of disallowed costs		\$55,688	\$0	\$55,688
(ii) Value of costs not disallowed		\$35,614,748	\$0	\$35,614,748
Reports that include questioned or unsupported costs for which decisions on dollars have not been made at the end of the reporting period	19	\$1,186,642,265	\$261,001,902	\$1,447,644,167
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.				

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

During the reporting period from April 1, 2021, through September 30, 2021, the Department took positive actions as a result of OIG work conducted during the current or previous periods.

SPECIAL PROJECT REPORT

The Transition to Independent Audits of Management and Operating Contractors' Annual Statements of Costs Incurred and Claimed (DOE-OIG-21-26) April 2021

This report summarizes the results of a multi-year review of the Cooperative Audit Strategy that the OIG began in 2017. In 1994, the Inspector General and the Secretary of Energy adopted and approved the Cooperative Audit Strategy. For the next 26 years, the Cooperative Audit Strategy placed the primary audit function with the internal auditors of the Department's management and operating (M&O) contractors. As a result, the contractors' internal audit departments conducted the audits of their own incurred costs. The audits performed by the contractors' internal audit departments were conducted using the standards established by the Institute of Internal Auditors rather than the required standards established by the U.S. Comptroller General, the generally accepted government auditing standards (GAGAS). The Institute of Internal Auditors standards do not have the same rigor as GAGAS on the issue of independence because internal auditors are embedded within a company.

While the Cooperative Audit Strategy was in place, interested stakeholders, including the Government Accountability Office (GAO) and the Department of Defense expressed concerns about the appropriateness of the contractors auditing their own costs. Additionally, in the past 2 years, several congressional committees have inquired about the Cooperative Audit Strategy. Notably, both the House Armed Services Committee report accompanying the National Defense Authorization Act (June 2020) and the report from the House Committee on Appropriations (July 2020) discussed this topic. Specifically, these congressional reports require that the Department review the Cooperative Audit Strategy, identify potential changes, and formulate a plan to independently audit M&O contractors.

The OIG Special Project Report discussed:

- History and legal analysis of the Cooperative Audit Strategy;
- Independence concerns with the Cooperative Audit Strategy;
- Case studies concluding that the lack of an independent audit program likely contributed to fraud, waste, and abuse;
- Summaries of recent and ongoing audits that describe deficiencies in the audits of subcontracts conducted by the internal auditors; and
- Summaries of recent and ongoing audits that describe other major deficiencies in the audits conducted by the internal auditors under the auspices of the Cooperative Audit Strategy.

Accordingly, the OIG recommended that the Department transition from the Cooperative Audit Strategy to an independent audit strategy for 23 of the Department's M&O contracts. Prior to the public release of the report, the OIG conducted briefings with the staff of eight congressional committees to discuss the issues it identified, as well as lay out the path forward for ensuring these mandatory audits are conducted appropriately in the future. The Council of the Inspectors General on Integrity and Efficiency also provided a letter of support for transitioning to an independent audit program. After the issuance of the Special Project Report, the OIG worked closely with the Department to communicate the transition to the M&O contractors and developed an implementation plan to begin these audits in FY 2022.

Beginning in FY 2022, the OIG will conduct or arrange for incurred cost audits for FY 2020 costs and all future years. Subject to appropriations, the OIG's newly created Incurred Cost Audit Division will be responsible for these audits, using a combination of OIG personnel, the Defense Contract Audit Agency, and independent public accounting firms. The transition to independent incurred cost audits of the M&O contracts will resolve congressional concern by ensuring these audits are conducted in accordance with GAGAS to protect the American taxpayer's interest.

- ✚ As a result of *Management of a Department of Energy Site Cybersecurity Program* (DOE-OIG-21-07), management took corrective actions during this reporting period that were sufficient to close 11 of the report's 44 recommendations. These actions in the areas of risk assessment, planning, contingency planning, audit and accountability, physical and environmental protection, personnel security, and media protection represented improvements spanning the site's cybersecurity program. At the end of the FY, the site had taken corrective action to close all but seven of its recommendations within 6 months of the report's issuance.
- ✚ Our technical testing in 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, subsequent to the OIG's report titled, *The Department of Energy's Unclassified Cybersecurity Program - 2020* (DOE-OIG-21-14), 10 of 18 prior year findings in the areas of configuration management, system integrity of web applications, and access controls were validated and closed.
- ✚ An OIG investigation, based upon a referral from the OIG Data Analytics team, determined that between November 1, 2018, and September 30, 2020, a former SES employee misused a Government travel card 114 times while not in an official travel status. In response to a recommendation in the Investigative Report to Management (IRM) generated from the investigation, the former Senior Executive Service (SES) employee at the National Energy Technology Laboratory (NETL) resigned in lieu of termination and had their security clearance terminated.
- ✚ A joint investigation between the OIG, FBI, and the Livermore Police Department, determined that a former contractor made credible threats against LLNL employees and the LLNL National Ignition Facility, and possessed the means to carry out these acts of violence. Additionally, the former contractor admitted to an addiction to child pornography and demonstrated an intent to cause harm to minors. In response to an IRM generated by the OIG, the Office of Policy, Office of Acquisition Management issued a proposed debarment of the former LLNL contractor employee for a period of 5 years.
- ✚ In May 2021, as a result of an OIG inspection report issued in September 2019, members of the Regional Coalition of Los Alamos National Laboratory Communities (RCLC) voted to approve a resolution authorizing the direction to dissolve the RCLC. The RCLC was primarily funded through a mix of fees from local and tribal Government entities, as well as grant funds from the Department. RCLC finances have been a point of concern in recent years. The OIG inspection found that the RCLC did not properly account for Department grant funds or use the funds in accordance with Federal requirements and grant terms. As a result, the Department directed the RCLC to repay funds that had been reimbursed to the RCLC for unallowable activities. In addition, the RCLC requested a former Executive Director to pay back impermissible reimbursements for travel, meals and alcoholic beverages, and lobbying activities that jeopardized funding that the RCLC received from the Department.

- At the end of the reporting period, the OIG had an ongoing inspection addressing allegations received regarding Contractor Performance Assessment Reporting System (CPARS) ratings entered for a contractor from March 2019 through March 2020. The complainant alleged that the rating had been altered and was inconsistent with the input adjudicated by the Assessing Official that was provided to the Reviewing Official for comment. In September 2021, the Office of Management informed the OIG that since the CPARS record reviewed under the subject draft report was finalized, it conducted a subsequent CPARS rating with the Contracting Officer as Assessing Official based on input from the Office of Environment, Health, Safety and Security Assessing Official's Representative. The roles on the subsequent CPARS were clearly identified and the record from March 17, 2020, through March 16, 2021, was finalized in May 2021 with no issue. Further, the Office of Management stated it will continue to make timely CPARS ratings in accordance with the *CPARS Guide* and adhere to assigned roles and responsibilities.

TABLE OF PUBLISHED REPORTS

AUDITS

The following table identifies all audit reports issued from April 1, 2021, through September 30, 2021.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Apr. 7, 2021	<i>Audit Coverage of Subcontract Costs for Lawrence Livermore National Security, LLC from October 1, 2013, to September 30, 2014, and from October 1, 2015, to September 30, 2017 (DOE-OIG-21-19)</i>	0				33
Apr. 8, 2021	<i>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at the East Tennessee Technology Park (DOE-OIG-21-20)</i>	5				33
Apr. 8, 2021	<i>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at the Lawrence Berkeley National Laboratory (DOE-OIG-21-21)</i>	5				34
Apr. 8, 2021	<i>Fiscal Year 2017 Evaluation of Incurred Cost Coverage at the SLAC National Accelerator Laboratory (DOE-OIG-21-22)</i>	6		\$107,600		34
Apr. 9, 2021	<i>Fiscal Year 2016 Evaluation of Incurred Cost Coverage at the Pacific Northwest National Laboratory (DOE-OIG-21-23)</i>	6		\$363,789		35
Apr. 9, 2021	<i>Fiscal Year 2017 Evaluation of Incurred Cost Coverage at the Los Alamos National Laboratory (DOE-OIG-21-24)</i>	3				36
Apr. 9, 2021	<i>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at Sandia National Laboratories (DOE-OIG-21-25)</i>	4				36
Apr. 9, 2021	<i>The Transition to Independent Audits of Management and Operating Contractors' Annual Statements of Costs Incurred and Claimed (DOE-OIG-21-26)</i>	2				37

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May 12, 2021	<i>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2020 Agency Financial</i> (DOE-OIG-21-27)	0				37
June 11, 2021	<i>Subcontractor-Performed Commercial Grade Dedication at Los Alamos National Laboratory</i> (DOE-OIG-21-28)	1				38
July 7, 2021	<i>National Energy Technology Laboratory's Childcare Centers</i> (DOE-OIG-21-30)	0				39
July 7, 2021	<i>Management of Institutional General Plant Projects at Lawrence Livermore National Laboratory</i> (DOE-OIG-21-31)	7		\$7,200,000		39
July 21, 2021	<i>The Office of Environmental Management's Mission Information Protection Program</i> (DOE-OIG-21-32)	1				40
July 22, 2021	<i>The Department of Energy's Control of Nuclear Reactor Safety Software Codes at Select Sites</i> (DOE-OIG-21-34) This report is Official Use Only and unavailable to the public.	3				41
Aug. 2, 2021	<i>Management of the Cybersecurity Program at a Department of Energy Site</i> (DOE-OIG-21-35) This report is Official Use Only and unavailable to the public.	15				42
Sept. 14, 2021	<i>Southwestern Federal Power System's Fiscal Year 2020 Financial Statement Audit</i> (DOE-OIG-21-37)	0				42

INSPECTIONS

The following table identifies all inspection reports issued from April 1, 2021, through September 30, 2021.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
July 7, 2021	<i>Allegations Related to the Office of Cybersecurity, Energy Security, and Emergency Response (DOE-OIG-21-29)</i>	4		\$2,239,619		44
July 22, 2021	<i>Protective Force Program at a Select National Nuclear Security Administration Site (DOE-OIG-21-33)</i> This report contains Unclassified Controlled Nuclear Information and is unavailable to the public.	3				44
Sept. 8, 2021	<i>Allegations of Conflict of Interest at the Department of Energy's Office of Aviation Management (DOE-OIG-21-36)</i>	2				45
Sept. 17, 2021	<i>The Closure of Savannah River Nuclear Solutions' Fiscal Year 2016 Allowable Cost Internal Audit (DOE-OIG-21-38)</i>	0				45

The OIIS also issued five internal memoranda from April 1, 2021, through September 30, 2021.

RESULTS

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 during this past year, was a vital team member working on more than 30 audits, inspections, and investigations.

This division is also driving innovation by conducting proactive analyses. In FY 2021, it designed and conducted 8 proactive projects pertaining to areas such as the CARES Act, subcontracts, Small Business Innovation Research, grants, collusion, and contractor overtime. These analyses were aimed at producing leads or referrals for consideration by Audits, Inspections, and Investigations.

Additionally, the Data Analytics Division has worked with the Department to identify over 220 Federally owned, contractor operated business systems across the DOE complex. These systems contain data that will enhance the performance of analyses focused on reducing fraud, waste, and abuse. System identification and direct system access provides more immediate identification of fraud, waste, or abuse by federal employees and contractors.

INVESTIGATIVE OUTCOMES

OIG investigations that result in a reportable outcome are disclosed to the public in our *Semiannual Report to Congress*. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, debarments, and other similar results. The following table includes reportable outcomes during the period from April 1, 2021, through September 30, 2021.

SUMMARY TITLE	PAGE
Civil Settlement in False Claims Investigation – Hanford Site Contract	24
Sentencing in Foreign Corrupt Practices Act Investigation	24
Information, Sentencing, and Notice of Proposed Debarment in Theft of Government Property Investigation	25
Indictment, Suspension, and Guilty Plea in Grant Fraud Investigation	25
Guilty Pleas in Grant Fraud Investigation	25

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Guilty Plea in Theft of Government Funds Investigation	26
Guilty Plea in Environmental Crimes Investigation	26
Guilty Plea for Possession with the Intent to Distribute Cocaine	26
Indictment, Arrest, and Termination in Time Mischarging Case	27
Information Filed in Time and Attendance Investigation	27
Former Security Police Officer Indicted for Theft	27
Arrest, Termination, and Suspension in Offenses Against Children Case	27
Indictment in Entry by False Pretenses and Impersonating a Government Official Investigation	28
Indictment in Employee Misconduct/CARES Act Investigation	28
Indictment in Theft of Government Property Investigation	28
Deferred Prosecution in Burglary and Identity Theft Case	29
Civil Settlement in False Claims Act Investigation — Central Plateau (Hanford)	29
Civil Settlement in False Claims Act Investigation — Water Quality Testing Services	29
Civil Settlement in Grant Fraud Investigation	29
Civil Settlement Agreement in False Claims Investigation - Municipality of Cataño	30
Debarment in Theft of Intellectual Property Investigation	30
Debarment in Timecard Fraud Investigation	30
Notice of Proposed Debarment in Threats of Violence Investigation	30
Debarment in Per Diem Claims Investigation	31
Notice of Suspension in Grant Fraud Investigation	31
Resignation in Conflict of Interest Investigation	31
Administrative Action and Resignation in Travel Card Fraud Investigation	32
Administrative Action in Threats Against the Government Investigation	32

ADMINISTRATIVE REMEDIES DIVISION

In FY 2021, the OIG established the Administrative Remedies Division and hired a Senior Executive to help advance the Inspector General’s statutory mission to promote and support the appropriate use of administrative remedies by the Department of Energy. The division prepares appropriate referrals to suspension and debarment officials and supports those referrals throughout the administrative process.

The division is a stand-alone legal support office within the OIG that collaborates with all other DOE OIG divisions and other stakeholders throughout the Government. In addition to referring matters to the Department of Energy suspension and debarment officials, the division may prepare or assist with referrals to suspension and debarment officials at other Federal agencies.

During the reporting period, the Administrative Remedies Division, in coordination with the Office of Investigations, made 11 referrals: 10 for suspension and 1 combined referral for both suspension and debarment. As of the end of this reporting period, the Department had acted, or is in the process of acting on all of these referrals.

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 Department economy and efficiency. During the reporting period from April 1, 2021, through September 30, 2021, the OIG, in coordination with the Council of the Inspectors General on Integrity and Efficiency Legislative Committee, conducted reviews of the following legislation:

- H.R. 2662 – Inspector General Independence and Empowerment Act of 2021
- H.R. 2089 – IG Subpoena Authority Act
- CIGIE Legislation Committee Letter in Support of S. 2429 – The Administrative False Claims Act

Additionally, the OIG reviewed the OIG community wide mandates regarding:

- Payment Integrity Information Act Proposal
- Geospatial Act
- Superfund Mandate Proposal
- Guam Realignment Proposal
- Purchase Card Mandate
- FISMA Mandate

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period from April 1, 2021, through September 30, 2021, 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 the reporting period from April 1, 2021, through September 30, 2021, the OIG encountered some resistance while attempting to acquire direct read only access to contractor operated systems. The Data Analytics Division has requested data dictionaries and walk throughs of the contractor operated business systems most pertinent to detecting fraud, waste, and abuse. The issues should be quickly resolved to avoid further delays in the advancement of the data analytics work being conducted by the OIG.

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, 2021, through September 30, 2021, 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

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The OIG had no reports undisclosed to the public for the reporting period from April 1, 2021, through September 30, 2021. All OIG reports completed during the reporting period, including those that are for Official Use Only and not publicly available, are listed on the OIG's website with summaries, where possible.

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

During the reporting period from April 1, 2021, through September 30, 2021, the following investigations that involved a senior Government employee at the GS-15 level or above were conducted by the Office of Investigations.

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO THE DEPARTMENT OF JUSTICE	DEPARTMENT OF JUSTICE DECLINATION
Allegation of habitual travel card use while not on official travel by an SES employee.	Closed; substantiated. Employee resigned in lieu of termination and had security clearance terminated.	Yes	Dec. 17, 2020
Allegation of unauthorized outside employment of GS-15 employee.	Closed; unsubstantiated.	No	Not Applicable

WHISTLEBLOWER ACTIVITIES

Whistleblower matters open as of April 1, 2021	67
Whistleblower matters opened this period	3
Whistleblower matters closed this period	5
Whistleblower matters closed via Investigative Reports	0
Whistleblower matters closed via Letters	5
Whistleblower matters open as of September 30, 2021	65

HOTLINE ACTIVITY

Total Hotline calls, emails, letters, and other complaints (contacts)	1,670 ¹
Hotline contacts resolved immediately/ redirected/no further action	1,550
Hotline contacts predicated for evaluation	120
Total Hotline predications processed this reporting period	121 ²
Hotline predications transferred to OIG Program Office	31
Hotline predications referred to Department management or other entity for information/action	50
Hotline predications closed based upon preliminary OIG activity and review	40
Hotline predications open at the end of the reporting period	2

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

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

COMMENTS NOT PROVIDED BY THE DEPARTMENT WITHIN 60 DAYS

During the reporting period from April 1, 2021, through September 30, 2021, 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
Apr. 10, 2012	<i>Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site (DOE/IG-0862)</i>	The OIG had previously requested that the Department delay submitting a management decision on the recommendations in this report, pending the outcome of an ongoing related review. During this reporting period, the related review concluded, and the OIG is currently working with the Office of the Chief Financial Officer to obtain a Management Decision.

DISAGREEMENT WITH MANAGEMENT DECISION

During the reporting period from April 1, 2021, through September 30, 2021, the OIG disagreed with the management decision for the following report.

DATE ISSUED	REPORT TITLE	STATUS
July 22, 2021	<i>Protective Force Program at a Select National Nuclear Security Administration Site (DOE-OIG-21-33)</i> This report is Official Use Only and unavailable to the public.	A management decision has been received; however, the OIG is addressing its disagreement with this decision through the Department's resolution process.

RECOMMENDATIONS NOT IMPLEMENTED

The following table identifies 49 reports with a total of 97¹ recommendations which were agreed to by the Department but have not been implemented as of September 30, 2021. The total potential cost savings associated with these reports is \$996,381,578. 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 unavailable on the OIG website.]

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Dec. 17, 2007	<i>Beryllium Surface Contamination at the Y-12 National Security Complex</i> (IG-0783)	1	
Nov. 13, 2009	<i>Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program</i> (OAS-M-10-01)	1	

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 6 recommendations issued by the OIG.

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

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

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
June 24, 2013	<u>Mitigation of Natural Disasters at Los Alamos National Laboratory</u> (OAS-M-13-04)	1	
Feb. 14, 2014	<u>The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories</u> (OAS-M-14-02)	1	
Sept. 24, 2014	<i>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</i> (OAS-V-14-17)	1	\$160,007,744
June 22, 2015	<u>The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology</u> (OAS-M-15-04)	1	
July 10, 2015	<u>The National Nuclear Security Administration's Management of Support Service Contracts</u> (OAS-M-15-05)	1	
Sept. 3, 2015	<u>The Department of Energy's Management of Electronic Mail Records</u> (DOE/IG-0945)	1	
Sept. 9, 2015	<u>Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000</u> (OAS-V-15-03)	1	\$2,569,251
Apr. 26, 2017	<u>Department of Energy's West Valley Demonstration Project</u> (DOE-OIG-17-05)	2	
Sept. 10, 2018	<u>Southwestern Power Administration's Asset Protection</u> (DOE-OIG-18-47)	1	
Oct. 31, 2018	<u>The Department of Energy's Funds Distribution System 2.0</u> (DOE-OIG-19-03)	1	
Feb. 14, 2019	<u>Allegations Regarding Southwestern Power Administration's Procurement of the Pathways Core Training</u> (DOE-OIG-19-16)	1	\$17,349
Mar. 28, 2019	<u>Preparedness for Firefighting Response at Los Alamos National Laboratory</u> (DOE-OIG-19-23)	1	
Mar. 29, 2019	<u>Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2014 and 2015 Under Department of Energy Contract No. DE-AC04-94AL85000</u> (DOE-OIG-19-24)	1	\$5,583,067
Apr. 25, 2019	<u>Allegations of Improper Contracting by Southwestern Power Administration</u> (DOE-OIG-19-28)	1	
May 20, 2019	<u>Mitigation of Risks from Natural Disasters at Lawrence Berkeley National Laboratory</u> (DOE-OIG-19-32)	1	
June 7, 2019	<u>Security over Industrial Control Systems at Select Department of Energy Locations</u> (DOE-OIG-19-34)	1	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
June 10, 2019	<u>The Department of Energy's Management of the ActioNet Information Technology Support Contract</u> (DOE-OIG-19-35)	1	\$294,000,000
June 25, 2019	<u>Management of Consultant Services at Los Alamos National Laboratory</u> (DOE-OIG-19-36)	1	\$324,498
Dec. 19, 2019	<u>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</u> (DOE-OIG-20-18)	1	\$1,548,035
Dec. 26, 2019	<u>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</u> (DOE-OIG-20-20)	1	\$8,458,966
Mar. 4, 2020	<u>The Department of Energy's Wildland Fire Prevention Efforts at the Oak Ridge Reservation</u> (DOE-OIG-20-32)	1	
June 1, 2020	<u>The Strategic Petroleum Reserve's Modernization Program</u> (DOE-OIG-20-43)	2	
June 8, 2020	<u>The Department of Energy's Management of Cleanup at the Paducah Site's C-400 Complex</u> (DOE-OIG-20-44)	1	
July 6, 2020	<u>The Department of Energy's Federal Employee Substance Abuse Testing Program</u> (DOE-OIG-20-46)	2	
July 13, 2020	<u>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</u> (DOE-OIG-20-48)	3	\$420,640,865
July 13, 2020	<u>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</u> (DOE-OIG-20-49)	1	\$31,760,414
July 20, 2020	<u>The Department of Energy's Storage and Disposition of Explosives Material at Selected Sites</u> (DOE-OIG-20-50)	2	
July 20, 2020	<u>Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site</u> (DOE-OIG-20-51)	3	\$63,800,000
Sept. 30, 2020	<u>Tank Waste Management at the Hanford Site</u> (DOE-OIG-20-57)	1	
Oct. 20, 2020	<u>Respiratory Equipment Maintenance at the Portsmouth Site</u> (DOE-OIG-21-01)	2	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Dec. 9, 2020	<u>Evaluation of the Aircraft Monitor and Control System's Nuclear Certification</u> (DOE-OIG-21-06)	4	
Dec. 14, 2020	<u>Management of a Department of Energy Site Cybersecurity Program</u> (DOE-OIG-21-07)	4	
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	
Jan. 5, 2021	<u>Management Letter on the Department of Energy's Fiscal Year 2020 Consolidated Financial Statements</u> (DOE-OIG-21-11)	7	
Jan. 19, 2021	<u>Personnel Security Clearances and Badge Access Controls for Separated Employees</u> (DOE-OIG-21-12)	4	
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	
Feb. 8, 2021	<u>Management Letter on The Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2020</u> (DOE-OIG-21-14)	7	
Apr. 8, 2021	<u>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at the East Tennessee Technology Park</u> (DOE-OIG-21-20)	2	
Apr. 8, 2021	<u>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at the Lawrence Berkeley National Laboratory</u> (DOE-OIG-21-21)	1	
Apr. 8, 2021	<u>Fiscal Year 2017 Evaluation of Incurred Cost Coverage at the SLAC National Accelerator Laboratory</u> (DOE-OIG-21-22)	3	\$107,600
Apr. 9, 2021	<u>Fiscal Year 2016 Evaluation of Incurred Cost Coverage at the Pacific Northwest National Laboratory</u> (DOE-OIG-21-23)	3	\$363,789
Apr. 9, 2021	<u>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at Sandia National Laboratories</u> (DOE-OIG-21-25)	1	
June 11, 2021	<u>Subcontractor-Performed Commercial Grade Dedication at Los Alamos National Laboratory</u> (DOE-OIG-21-28)	1	
July 7, 2021	<u>Management of Institutional General Plant Projects at Lawrence Livermore National Laboratory</u> (DOE-OIG-21-31)	7	\$7,200,000
July 21, 2021	<u>The Office of Environmental Management's Mission Information Protection Program</u> (DOE-OIG-21-32)	1	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
July 22, 2021	<u><i>The Department of Energy's Control of Nuclear Reactor Safety Software Codes at Select Sites</i></u> (DOE-OIG-21-34) This report is Official Use Only and unavailable to the public.	2	
Sept. 8, 2021	<u><i>Allegations of Conflict of Interest at the Department of Energy's Office of Aviation Management</i></u> (DOE-OIG-21-36)	2	

Total Open Recommendations **97** **\$996,381,578**

PEER REVIEW

PEER REVIEWS CONDUCTED BY DEPARTMENT OF ENERGY OIG APRIL 1, 2021 - SEPTEMBER 30, 2021			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audit	April 2021	Treasury Inspector General for Tax Administration	
Inspection	None for this reporting period		
Investigation	None for this reporting period		

PEER REVIEWS CONDUCTED BY OTHER OIGS APRIL 1, 2021 - SEPTEMBER 30, 2021				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audit	None for this reporting period			
Inspection	None for this reporting period			
Investigation	None for this reporting period			

INVESTIGATIVE OUTCOMES

Civil Settlement in False Claims Investigation – Hanford Site Contract

Several Departmental contractors and subcontractors entered into a \$6 million Civil Settlement Agreement with the U.S. Department of Justice (DOJ) related to allegations of false claims and kickbacks on a Hanford Site contract. The OIG investigation, assisted by the OIG's Technology Audit Group, determined that the companies knowingly made or caused false statements to the Department regarding the amount of profit included in technology support billing rates and that the claims for these inflated rates violated the False Claims Act. Additionally, the investigation found that payments of more than \$1 million to multiple individuals to obtain improper favorable treatment with respect to a contract award may have violated the Anti-Kickback Act. The DOJ press release for the initial case filing can be found [here](#).

Sentencing in Foreign Corrupt Practices Act Investigation

A former Departmental subcontractor was sentenced in the U.S. District Court for the District of Maryland to 2 years in prison after being convicted of one count each of conspiracy to violate the Foreign Corrupt Practices Act (FCPA) and conspiracy to Commit Wire Fraud. The subcontractor was also ordered to pay a \$12,500 fine, and a \$100 special assessment. As previously reported in the March 31, 2021, March 31, 2020, March 31, 2018, March 31, 2016, March 31, 2015, and September 30, 2015, *Semiannual Report to Congress*, the former subcontractor, a 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 on 11 counts of Conspiracy, Wire Fraud, and International Money Laundering and FCPA violations. The transportation company entered into a deferred prosecution agreement with the DOJ in which they agreed 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 U.S. without competition under the Megatons to Megawatts program. The subcontractor company was also ordered to pay \$2 million in penalties for violating the FCPA. 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 most recent DOJ press release for this case can be found [here](#).

Information, Sentencing, and Notice of Proposed Debarment in Theft of Government Property Investigation

A former Departmental contractor was sentenced in the U.S. District Court for the District of Colorado after pleading guilty to one count of Theft of Government Property. The contractor was sentenced to 3 years of probation and was ordered to pay restitution in the amount of \$50,943, as well as a \$100 special assessment. Another former Departmental contractor was separately charged by information in the same district with one count of Wire Fraud and one count of Aiding and Abetting. An additional former Departmental contractor, who was previously sentenced, was debarred from Federal Government contracting for a period of 3 years. As previously reported in the March 31, 2021, September 30, 2020, and March 31, 2020, *Semiannual Report to Congress*, the OIG investigation determined the former contractors and numerous other vendors participated in a fictitious billing scheme with a Departmental 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 received by the warehouse and the proceeds from the purchases were stolen by the warehouse employee and vendors involved in the scheme. This is a joint investigation with the FBI and General Services Administration OIG.

Indictment, Suspension, and Guilty Plea in Grant Fraud Investigation

A Department grant recipient and co-owner of a scientific research company pleaded guilty in the U.S. District Court for the Eastern District of Kentucky to one count of Conspiracy to Commit Wire Fraud and two counts of Wire Fraud. In addition, another co-owner of the company was indicted in the same district on one count each of Conspiracy to Commit Wire Fraud, Wire Fraud, and Money Laundering, and was subject to criminal forfeiture. Additionally, as a result of the OIG investigation, four scientific research companies owned by the two subjects were suspended from receiving Federal assistance. As reported in the March 31, 2021, *Semiannual Report to Congress*, the grant recipient and other co-owners of the company were indicted and charged with 15 counts of Conspiracy, Wire Fraud, Money Laundering, False Claims, and Forfeiture. The investigation determined the co-owners received approximately \$1.2 million in Department Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grant awards and provided false information in their proposals and subsequent close-out documents. This is an ongoing joint investigation with the Environmental Protection Agency OIG and Defense Criminal Investigative Service.

Guilty Pleas in Grant Fraud Investigation

Two Departmental grant recipients pleaded guilty in the U.S. District Court for the Western District of Oklahoma to one count each of False Statements, pursuant to a superseding indictment filed in that district. As previously reported in the September 30, 2020, and March 31, 2021, *Semiannual Report to Congress*, the grant recipients had previously been arrested and indicted for violations of 9 Federal statutes in a 13-count indictment, which

included forfeiture of assets traceable to the offenses, including more than \$2 million, which was seized when the grantee was arrested. The OIG investigation determined that the grant recipients, the President, and the Chief Operating Officer of a business that received Government funds under the Department's STTR program, submitted numerous false statements and false business documents in proposals, reports, and other records submitted to the Department to obtain three STTR awards totaling \$2.1 million. The false statements submitted by the grant recipient were made regarding his contractual obligations under a foreign government talent recruitment plan, receipt of research funding from a foreign government, and international collaboration on U.S.-funded research. The grant recipients also converted Department STTR funds for personal use and were further engaged in a money laundering scheme to transfer the fraudulently obtained Department grant funds between multiple financial accounts. This is an ongoing joint investigation with the FBI and National Science Foundation OIG. The DOJ press release can be found [here](#).

Guilty Plea in Theft of Government Funds Investigation

A former contractor employee at Sandia National Laboratories (SNL) pleaded guilty in the U.S. District Court for the District of New Mexico to two counts of Mail Fraud and two counts of Theft of Government Property. The OIG investigation determined that, beginning in late 2012, the former contractor employee applied for and was issued a purchase card, funded by the Department, for the limited purpose of procuring equipment and materials necessary for him to perform his duties at SNL. From at least September 2014 through September 2018, the former contractor employee fraudulently used the purchase card to procure items for his personal use, his family, and his associates. These items included jewelry, clothing, golf and exercise equipment, toys, barber equipment and supplies, building materials, and home appliances. The former contractor employee also made misrepresentations and false statements, claiming in monthly reconciliation reports the purchases were legitimate items. The estimated loss to the Government was between \$75,000 and \$140,000. The DOJ press release can be found [here](#).

Guilty Plea in Environmental Crimes Investigation

A Departmental grantee pleaded guilty in the U.S. District Court for the Southern District of Texas to one count of Illegal Storage of Hazardous Waste. The OIG investigation determined that the grantee, a small business receiving Government funding under the STTR program, failed to properly dispose of environmental waste while operating under various grants from the Department of Energy and the Department of Defense. This is an ongoing joint investigation with the Environmental Protection Agency Criminal Investigation Division and Defense Criminal Investigative Service.

Guilty Plea for Possession with the Intent to Distribute Cocaine

A former subcontractor employee of an M&O contractor for the Savannah River Site (SRS) pleaded guilty in the U.S. District Court for the District of South Carolina to one count of Possession of a Controlled Substance with the Intent to Distribute, pursuant to an

indictment filed in that same district. The OIG investigation determined that the former employee was searched while exiting the site, which uncovered 73 grams of cocaine, packaged individually for potential sale, and \$4,382 in cash, which was subject to asset forfeiture. The investigation further determined the employee had prior knowledge that the cocaine was located in the vehicle, though no evidence revealed that the former employee sold any controlled substances onsite at SRS. This is an ongoing investigation.

Indictment, Arrest, and Termination in Time Mischarging Case

A former NNSA contractor employee of the Kansas City National Security Campus was arrested pursuant to an Indictment in the U.S. District Court for the Western District of Missouri on charges of Theft of Government Property and False Statements. The OIG investigation found the former employee falsified numerous timecards from August 2019 through May 2020, claiming 667 hours on a timesheet for work not performed, which resulted in a loss to the Government of \$85,175. Additionally, the former employee was terminated by Kansas City National Security Campus, and the NNSA was reimbursed \$85,175 as a result of the improperly recorded hours by the former employee.

Information Filed in Time and Attendance Investigation

A contractor employee at the Pacific Northwest National Laboratory was charged by information by Washington State's Benton County Prosecutor's Office with one count of Theft in the First Degree, with an aggravator for a Major Economic Offense. As previously reported in the March 31, 2021, and September 30, 2020, *Semiannual Report to Congress*, the OIG investigation determined that the former contractor employee intentionally falsified timecards, arrived to work late, departed from work early, and teleworked without evidence of completing work. During an OIG interview, the former employee admitted to charging over 150 hours to a project without evidence of completing work. The investigation also determined the former employee could not account for approximately 500 hours over a 6-month period, with a total loss of \$50,506. The employee resigned in lieu of termination. This is an ongoing investigation.

Former Security Police Officer Indicted for Theft

A former Security Police Officer at the Department's Y-12 National Security Complex was indicted in the 7th District for the State of Tennessee, Anderson County, for one count of Felony Theft exceeding \$10,000. The OIG investigation determined that from July 2017 through August 2020, the officer falsely claimed approximately 650 hours of overtime not worked and claimed full time hours while on leave. The estimated loss to the Department is \$44,436 in pay and benefits. The officer retired in lieu of termination.

Arrest, Termination, and Suspension in Offenses Against Children Case

An employee of a Departmental M&O contractor at SRS was arrested on South Carolina state charges of Third Degree Sexual Criminal Conduct with a Minor. The contractor employee was subsequently terminated and suspended by the NNSA for a period of 12

months as a result of the OIG investigation. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the investigation determined that the employee had committed sexual offenses with a minor and admitted to the conduct during the administration of a polygraph examination. This is an ongoing joint investigation with local and state law enforcement agencies.

Indictment in Entry by False Pretenses and Impersonating a Government Official Investigation

An individual with no connection to the Department was charged by indictment in the U.S. District Court for the Northern District of New York with one count of Entry by False Pretenses and one count of False Personation. The OIG investigation determined the individual falsely identified himself as a Departmental employee to gain access to a secure area of the Port of Albany, New York, where he photographed proprietary equipment and operations of a Departmental subcontractor. The photographs were subsequently included as exhibits in a patent infringement lawsuit filed against the subcontractor. This is an ongoing joint investigation with the FBI. The DOJ press release can be found [here](#).

Indictment in Employee Misconduct/CARES Act Investigation

An employee of the Energy Information Administration (EIA) was charged by indictment in the U.S. District Court for the Southern District of Alabama with one count of Conspiracy to Commit Wire Fraud and one count of Wire Fraud. The employee was also subject to a forfeiture amount of \$133,800. The OIG investigation determined that the EIA employee, while teleworking, fraudulently applied for and received an Economic Injury Disaster Loan in the amount of \$129,800 for the EIA employee's personal business. The EIA employee also received an additional cash advance in the amount of \$4,000 by falsely claiming the business had four employees. This is an ongoing investigation.

Indictment in Theft of Government Property Investigation

A former contractor employee at the Portsmouth Gaseous Diffusion Plant in Piketon, Ohio, was indicted in the Pike County, Ohio Court of Common Pleas on one count of Theft. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the former employee was terminated for theft of Government property. The former employee was observed by Protective Force personnel placing Government property into the trunk of a personal vehicle and attempting to exit the protected area of the Portsmouth Gaseous Diffusion Plant. Protective Force personnel stopped the former employee and recovered the stolen property, which amounted to \$4,629. The Pike County Sheriff's Office responded to the scene and arrested the former employee for theft. The former employee admitted to removing the property without permission and further admitted to a continuing pattern of theft spanning the last 9 years. This is an ongoing investigation.

Deferred Prosecution in Burglary and Identity Theft Case

A former contractor employee entered into a Stipulated Order of Continuance in the District Court of Benton County, Washington. The agreement stipulates that upon completion of the Court's requirements, State of Washington criminal charges of 2nd Degree Burglary and 2nd Degree Identity Theft will be dismissed. The OIG investigation determined that the former contractor employee stole a site badge belonging to another site employee and broke into and damaged a building at the Hanford Site, causing approximately \$4,000 worth of damage. The former contractor employee was arrested by the Benton County Sheriff's Office.

Civil Settlement in False Claims Act Investigation – Central Plateau (Hanford)

A Departmental prime contractor entered into a \$3,038,270 Civil Settlement Agreement with the DOJ related to allegations of false claims on a Hanford Site contract. The OIG investigation determined that the contractor, responsible for environmental remediation and cleanup of the Central Plateau area of the Hanford Site, falsely represented HUBZone subcontracts awarded by the contractor to two subcontractor companies when the contractor knew that both entities did not have HUBZone status during the period of performance. Of the settlement, \$1,519,135 will be returned to the Department. The DOJ press release can be found [here](#).

Civil Settlement in False Claims Act Investigation – Water Quality Testing Services

A former Department contractor entered into a \$1,453,263 Civil Settlement Agreement with the DOJ to resolve allegations that the contractor billed the Government for inaccurate and mishandled water quality testing services. The OIG investigation determined that from 2007 through 2013, the contractor provided water quality sampling, testing, and data analysis services to various Government agencies, including the Department, through a subsidiary. The contractor conducted an internal investigation which was reviewed and verified by Federal investigators. The review confirmed that a scientist employed by the contractor's subsidiary had improperly altered laboratory instrument settings to bring certain lab results within the laboratory's acceptance criteria, resulting in unreliable water quality testing results. Of the settlement, \$207,122 will be returned to the Department. This was a joint investigation with the Defense Criminal Investigative Service, Air Force Office of Special Investigations, Army Criminal Investigation Command, National Aeronautics and Space Administration OIG, and Environmental Protection Agency OIG.

Civil Settlement in Grant Fraud Investigation

A Departmental grant recipient entered into a \$500,000 Civil Settlement Agreement with the DOJ to resolve civil claims against the company arising from the submission of false certifications to multiple Federal agencies, including the Department, pertaining to the use of foreign national labor, third party consultants, and the use of the Principal Investigator

in connection with two U.S. Army SBIR awards. The OIG investigation determined the company engaged in similar fraudulent behavior on three Department SBIR awards. This is an ongoing joint investigation with the U.S. Army Criminal Investigation Command.

Civil Settlement Agreement in False Claims Investigation – Municipality of Cataño

A contractor to the Municipality of Cataño, Puerto Rico, entered into a \$10,000 Civil Settlement Agreement with the DOJ. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the OIG investigation determined that the Municipality of Cataño failed to solicit sealed public bids, as required under State and Federal procurement rules, when it awarded a contract for the procurement and installation of air conditioner units for the Municipality of Cataño’s coliseum. The investigation also determined that the Municipality of Cataño made disbursements to the contractor for work not properly documented by the Municipality of Cataño in violation of procurement rules. The contract was paid for using Energy Efficiency and Conservation Block Grant funds from the Department under the American Recovery and Reinvestment Act.

Debarment in Theft of Intellectual Property Investigation

As a result of a referral issued by the OIG to the U.S. Navy’s Acquisition Integrity Office, a former Argonne National Laboratory contractor employee was debarred for a period of 2 years. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the investigation determined the former contractor employee downloaded Department proprietary technology without authorization and started a corporation with the intent to commercialize and profit from the technology. The former contractor employee subsequently gained employment with the U.S. Naval Research Laboratory and was later terminated when the OIG notified the Navy of its investigative findings. This was a joint investigation with the FBI and the Naval Criminal Investigative Service.

Debarment in Timecard Fraud Investigation

A former contractor employee at LLNL was debarred for 1 year by the NNSA. As previously reported in the March 31, 2021, and March 31, 2020, *Semiannual Report to Congress*, the former contractor paid \$3,743 in restitution after having been charged with Embezzlement and Grand Theft in the Superior Court of California, County of Alameda. The OIG investigation determined that the former contractor employee admitted to committing timecard fraud by charging regular hours to the contract while spending hours in their personal vehicle and not working. The former contractor employee was also terminated as a result of the investigation.

Notice of Proposed Debarment in Threats of Violence Investigation

In response to an IRM, the Department issued a proposed debarment of a former LLNL contractor employee for a period of 5 years. The OIG investigation determined that the former contractor made credible threats against LLNL employees and the LLNL National Ignition Facility and possessed the means to carry out these acts of violence. Additionally,

the former contractor admitted to an addiction to child pornography and demonstrated an intent to cause harm to minors. This was a joint investigation with the FBI and the Livermore Police Department.

Debarment in Per Diem Claims Investigation

As a result of an OIG investigation, the NNSA debarred a former employee of a parent company of the SRS M&O contractor from Federal Government contracting for a period of 1 year. The debarment includes a company owned by the former employee. As previously reported in the September 30, 2020, and March 31, 2021, *Semiannual Report to Congress*, the investigation determined that while on a long-term assignment to SRS, the former employee knowingly sought improper reimbursement for a less-than-arms-length rental agreement with an entity controlled by the former employee. The former employee then concealed this obvious conflict of interest from both the SRS M&O contractor and its parent company.

Notice of Suspension in Grant Fraud Investigation

In response to an OIG referral, the Department issued a Notice of Suspension to a Departmental grant recipient, a not-for-profit organization, and its owner/president. As previously reported in the September 30, 2020, *Semiannual Report to Congress*, the grant recipient was indicted in the U.S. District Court for the Northern District of Illinois for 15 counts of Wire Fraud and Bank Fraud. The grant recipient, the President, and the Chief Executive Officer of a not-for-profit organization receiving Departmental funds under the Weatherization Assistance Program caused the submission of multiple misrepresentations to the Illinois Department of Commerce and Economic Opportunity to obtain three grants, including two grants funded with Departmental funds. The Weatherization Assistance Program provides Government funds to help offset costs incurred by low-income recipients for energy efficiency, including heating and cooling costs. The investigation found that the not-for-profit organization applied for and received these grants through the Department of Commerce and Economic Opportunity, which relied upon these fraudulent submissions. The grant recipient also made false statements to the Department of Commerce and Economic Opportunity in the form of grantee status reports, claiming grant funds were being spent in accordance with previously approved budgets, when in fact substantial quantities of the grant funds had been fraudulently converted for personal use. The OIG first began investigating the business after receiving a referral from the Illinois Attorney General's Office. This is an ongoing joint investigation with the FBI.

Resignation in Conflict of Interest Investigation

A senior Government employee at NETL resigned while under OIG investigation. The investigation focused on allegations that the senior Government employee had a financial conflict of interest with regard to a prime contractor at NETL and accessed an information technology system for unauthorized purposes.

Administrative Action and Resignation in Travel Card Fraud Investigation

In response to an IRM, a former SES employee at NETL resigned in lieu of termination and had his security clearance terminated. The OIG investigation, based upon a referral from the OIG's Data Analytics team, determined that from November 1, 2018, through September 30, 2020 the former SES employee misused his Government travel card 114 times, totaling \$4,907, while not in an official travel status.

Administrative Action in Threats Against the Government Investigation

In response to an OIG referral, an employee at the Western Area Power Administration was placed on administrative leave and prohibited from entering the Western Area Power Administration site. The employee made threats against Government officials, including the U.S. President and a U.S. Senator. No threats were made against the Secretary of Energy, Deputy Secretary, or any other Departmental personnel or facility. The employee was arrested by local authorities following a domestic violence dispute. This is an ongoing investigation.

AUDIT REPORTS

Audit Coverage of Subcontract Costs for Lawrence Livermore National Security, LLC from October 1, 2013, to September 30, 2014, and from October 1, 2015, to September 30, 2017

Since October 2007, Lawrence Livermore National Security, LLC (LLNS) managed and operated LLNL under contract with NNSA. LLNL has national security responsibilities that include ensuring the safety, security, and reliability of the Nation's nuclear weapons stockpile. During the period from October 1, 2013, through September 30, 2014, and from October 1, 2015, through September 30, 2017, LLNS incurred and claimed costs totaling \$4,702,519,283. Of these costs, LLNL incurred \$1.3 billion in subcontract costs through various contract award types, such as cost reimbursable, fixed price, time and material, labor hour, and memo purchase orders.

LLNS' contract was modified in 2013, allowing the conduct of audits or reviews of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. LLNS received approval through a Department of Energy Acquisition Regulation (DEAR) deviation to conduct audits or compliance reviews on subcontractor costs at their discretion, and in consultation with the Livermore Field Office. In our prior audits and assessments, we did not look at the appropriateness of the DEAR deviation in determining whether or not to rely on Internal Audit's work; we simply relied on the DEAR deviation when assessing the risk-based approach. However, due to the small percentage of subcontract costs audited during the scope of this assessment, we took a closer look at the appropriateness of the deviation.

On February 19, 2021, NNSA Senior Procurement Executive approved the revocation of the deviation clause to ensure that the requirement for LLNS to conduct audits on its subcontractors be restored in the contract. Based upon the actions taken by NNSA and LLNS, any discussions and recommendations that were made in the Office of Inspector General's draft assessment review were removed and not presented in this report. The OIG is providing this informational report in lieu of a final assessment report because the concerns identified during that review were fully addressed by NNSA prior to issuance. (DOE-OIG-21-19)

Fiscal Year 2018 Evaluation of Incurred Cost Coverage at the East Tennessee Technology Park

In 1994, the OIG, Department officials, and internal audit directors from selected sites, with M&O contractors, implemented the Cooperative Audit Strategy, which allows M&O contractors to audit their own incurred costs. Based on recent work conducted by the OIG and concerns expressed by external stakeholders, such as the GAO, the OIG evaluated the Cooperative Audit Strategy. As part of that effort, the OIG commenced six audits in FY 2020 to review certain contractors' incurred cost coverage of selected areas. We initiated this audit to evaluate incurred cost coverage of selected areas for FY 2018 at the East Tennessee Technology Park.

We found that URS | CH2M Oak Ridge LLC's allowable cost audit for FY 2018 did not adequately evaluate incurred costs for allowability, allocability, and reasonableness. We noted weaknesses in URS | CH2M Oak Ridge LLC Internal Audit's design of the audit risk assessment and sampling approach. We also identified issues with the special capital general and administrative rate including its disclosure. Further, we determined that the Department's Statement of Costs Incurred and Claimed is an inadequate information submission of the integrated contractor's claim and certification of costs incurred during the year.

Given the large amount of taxpayer funding used for Department contracts and the reliance on contractor internal audit functions to audit such funds, weaknesses in the annual evaluation of incurred costs could result in significant amounts of unallowable costs being charged to the Department and going undetected. (DOE-OIG-21-20)

Fiscal Year 2018 Evaluation of Incurred Cost Coverage at the Lawrence Berkeley National Laboratory

In 1994, the OIG, Department officials, and internal audit directors from selected sites, with M&O contractors, implemented the Cooperative Audit Strategy, which allows M&O contractors to audit their own incurred costs. Based on recent work conducted by the OIG and concerns expressed by external stakeholders, such as the GAO, the OIG evaluated the Cooperative Audit Strategy. As part of that effort, the OIG commenced six audits in FY 2020 to review certain contractors' incurred cost coverage of selected areas. We initiated this audit to evaluate incurred cost coverage of selected areas for FY 2018 at the Lawrence Berkeley National Laboratory (LBNL).

We found that LBNL's allowable cost audit for FY 2018 did not adequately evaluate incurred costs for allowability, allocability, and reasonableness. We noted weaknesses in LBNL Internal Audit's design of the audit risk assessment, sampling approach, and documentation. We also identified issues with year-end indirect rate variance disposition. Further, we determined that the Department's Statement of Costs Incurred and Claimed is an inadequate information submission of the M&O contractor's claim and certification of costs incurred during the year.

Given the large amount of taxpayer funding used for Department M&O contracts, and the reliance on contractor internal audit functions to audit such funds, weaknesses in the annual evaluation of incurred costs could result in significant amounts of unallowable costs being charged to the Department and going undetected. (DOE-OIG-21-21)

Fiscal Year 2017 Evaluation of Incurred Cost Coverage at the SLAC National Accelerator Laboratory

In 1994, the OIG, Department officials, and internal audit directors from selected sites, with M&O contractors, implemented the Cooperative Audit Strategy, which allows M&O contractors to audit their own incurred costs. Based on recent work conducted by the OIG,

and concerns expressed by external stakeholders, such as the GAO, the OIG evaluated the Cooperative Audit Strategy. As part of that effort, the OIG commenced six audits in FY 2020 to review certain contractors' incurred cost coverage of selected areas. We initiated this audit to evaluate incurred cost coverage of selected areas in FY 2017 at the SLAC National Accelerator Laboratory.

We found that Stanford University's allowable cost audit at the SLAC National Accelerator Laboratory for FY 2017 did not adequately evaluate incurred costs for allowability, allocability, and reasonableness. We noted weaknesses in Stanford University Internal Audit's design of the audit risk assessment, sampling approach, and informal handling of questioned costs. In addition, we identified noncompliant treatment of unallowable costs and weaknesses in labor internal controls. Further, we determined the Department's Statement of Costs Incurred and Claimed is an inadequate information submission of the M&O contractor's claim and certification of costs incurred during the year.

Given the large amount of taxpayer funding used for Department M&O contracts, and the reliance on contractor Internal Audit functions to audit such funds, weaknesses in the annual evaluation of incurred costs could result in significant amounts of unallowable costs being charged to the Department and going undetected. (DOE-OIG-21-22)

Fiscal Year 2016 Evaluation of Incurred Cost Coverage at the Pacific Northwest National Laboratory

In 1994, the OIG, Department officials, and internal audit directors from selected sites, with M&O contractors, implemented the Cooperative Audit Strategy, which allows M&O contractors to audit their own incurred costs. Based on recent work conducted by the OIG and concerns expressed by external stakeholders, such as the GAO, the OIG evaluated the Cooperative Audit Strategy. As part of that effort, the OIG commenced six audits in FY 2020 to review certain contractors' incurred cost coverage of selected areas. We initiated this audit to evaluate incurred cost coverage of selected areas in FY 2016 at the Pacific Northwest National Laboratory.

We found that Battelle Memorial Institute's allowable cost audit at the Pacific Northwest National Laboratory for FY 2016 did not adequately evaluate incurred costs for allowability, allocability, and reasonableness. We noted weaknesses in Battelle Memorial Institute Internal Audit's design of the audit risk assessment and sampling approach. We also identified issues with Battelle Memorial Institute's year-end indirect rate variance disposition practice, treatment of unallowable costs, and classification of subcontracts. Further, we determined the Department's Statement of Costs Incurred and Claimed is an inadequate information submission of the M&O contractor's claim and certification of costs incurred during the year.

Given the large amount of taxpayer funding used for Department M&O contracts, and the reliance on contractor Internal Audit functions to audit such funds, weaknesses in the annual evaluation of incurred costs could result in significant amounts of unallowable costs being charged to the Department and going undetected. (DOE-OIG-21-23)

Fiscal Year 2017 Evaluation of Incurred Cost Coverage at the Los Alamos National Laboratory

In 1994, the OIG, Department officials, and internal audit directors from selected sites, with M&O contractors, implemented the Cooperative Audit Strategy, which allows M&O contractors to audit their own incurred costs. Based on recent work conducted by the OIG and concerns expressed by external stakeholders, such as the GAO, the OIG evaluated the Cooperative Audit Strategy. As part of that effort, the OIG commenced six audits in FY 2020 to review certain contractors' incurred cost coverage of selected areas. We initiated this audit to evaluate incurred cost coverage of selected areas for FY 2017 at LANL.

We found that Los Alamos National Security, LLC's allowable cost audit for FY 2017 did not adequately evaluate incurred costs for allowability, allocability, and reasonableness. We noted weaknesses in Los Alamos National Security, LLC Internal Audit's design of the audit risk assessment, sampling approach, and Acquisition Services Management's classification of subcontracts.

Given the large amount of taxpayer funding used for Department M&O contracts, and the reliance on contractor Internal Audit functions to audit such funds, weaknesses in the annual evaluation of incurred costs could result in significant amounts of unallowable costs being charged to the Department and going undetected. (DOE-OIG-21-24)

Fiscal Year 2018 Evaluation of Incurred Cost Coverage at Sandia National Laboratories

In 1994, the OIG, Department officials, and internal audit directors from selected sites, with M&O contractors, implemented the Cooperative Audit Strategy, which allows M&O contractors to audit their own incurred costs. Based on recent work conducted by the OIG and concerns expressed by external stakeholders, such as the GAO, the OIG evaluated the Cooperative Audit Strategy. As part of that effort, the OIG commenced six audits in FY 2020 to review certain contractors' incurred cost coverage of selected areas. We initiated this audit to evaluate incurred cost coverage of selected areas for FY 2018 at SNL.

We found that SNL's allowable cost audits for FY 2018 did not adequately evaluate incurred costs for allowability, allocability, and reasonableness. We noted weaknesses in SNL Internal Audit's design of the audit risk assessment, sampling approach, and incurred cost reconciliation process. We also identified issues with SNL's year-end indirect rate variance disposition practice.

Given the large amount of taxpayer funding used for Department M&O contracts and the reliance on contractor internal audit functions to audit such funds, weaknesses in the annual evaluation of incurred costs could result in significant amounts of unallowable costs being charged to the Department and going undetected. (DOE-OIG-21-25)

The Transition to Independent Audits of Management and Operating Contractors' Annual Statements of Costs Incurred and Claimed

This Special Project Report summarizes the results of a multi-year review of the Cooperative Audit Strategy. From its inception, some stakeholders questioned the independence of the contractors' audits of their own Statements of Costs Incurred and Claimed. In 2017, the OIG initiated a multi-year review to assess the validity, accuracy, and effectiveness of the contractors' internal audits. A more detailed summary of this Special Project Report can be found on page 6. (DOE-OIG-21-26)

The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2020 Agency Financial Report

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended the Improper Payments Information Act of 2002 and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the OMB. On March 2, 2020, the Payment Integrity Information Act of 2019 (PIIA) repealed prior laws but set forth similar improper payment reporting requirements, including an annual compliance report by Inspectors General. The OMB requires that the Office of Inspector General perform an annual review of the Department's improper payment reporting in its Agency Financial Report and accompanying materials to determine whether the Department was compliant with PIIA. In accordance with PIIA and OMB requirements, our review included improper payments identified in the FY 2020 Agency Financial Report. We also found that the current administration has identified payment integrity as a top priority, focusing on reducing improper payments and protecting taxpayer money. The priority includes balancing payment integrity risks and controls to ensure funding is serving its intended purpose. The objective of the audit was to determine whether the Department met OMB criteria for compliance with the PIIA.

The Department's FY 2020 improper payment reporting was in accordance with OMB criteria. Specifically, the Department published an Agency Financial Report for FY 2020 and posted that report, as well as accompanying materials, on its website. The Department also conducted improper payment risk assessments for all applicable programs, as required.

Although we determined that the Department met the criteria for compliance with OMB, we found that enhancements to the payment integrity process could result in more accurate and transparent reporting. For example, the Agency Financial Report did not disclose that the Department was tracking nearly \$200 million in unresolved questioned costs pending allowability determinations by contracting officers. While the Department was not required to disclose unresolved questioned costs in the Agency Financial Report, doing so would provide greater payment integrity reporting transparency. We also found that these questioned costs were not being resolved in a timely manner, as required by Federal regulations. We acknowledge that only a portion of questioned costs have historically been deemed unallowable. However, because of the amounts of questioned

costs that have not been resolved, there is the potential that improper payments may be higher than currently reported. Therefore, disclosing the amount of outstanding questioned costs within the Agency Financial Report could provide greater transparency. Further, we determined that certain locations did not appear to be reporting all improper payment information, which could have understated the amount of improper payments reported in the Department's Agency Financial Report. For instance, one location had expenditures of nearly \$486 million from FY 2017 through FY 2019 but did not self-identify any improper payments. (DOE-OIG-21-27)

Subcontractor-Performed Commercial Grade Dedication at Los Alamos National Laboratory

The Department is responsible for the construction and operation of nuclear facilities across its complex. To ensure these facilities operate safely, the Department and the contractor managing and operating LANL are required by 10 Code of Federal Regulations 830, and by Department Order 414.1D, Quality Assurance, to develop and implement a quality assurance program. The LANL quality assurance program requires nuclear facilities operate in accordance with the NQA-1 Standard. LANL maintains an Institutional Evaluated Supplier List (IESL) that specifies which suppliers have been evaluated and have met the requirements of the NQA-1 Standard. When LANL needs to procure a structure, system or component that serves a safety function for a high-hazard nuclear facility, LANL policies, P840-1, Quality Assurance for Procurements, and AP-341-703, Commercial Grade Dedication, require that LANL either procure it from a qualified supplier on the IESL or ensure that it receives Commercial Grade Dedication.

Commercial Grade Dedication is the process by which LANL obtains reasonable assurance that an item procured from a commercial vendor meets the critical characteristics for the item to serve its safety function. The process requires a responsible engineer to identify which characteristics are critical to an item's intended safety function and to develop an acceptance plan to evaluate whether an item can reasonably be expected to perform as intended. The requirements in this process allow LANL to attest to the quality of items from companies that are not on the IESL.

We initiated this audit to determine whether LANL had ensured that subcontractor-performed Commercial Grade Dedication fully identified and evaluated critical characteristics in accordance with the NQA-1 Standard.

We could not determine whether LANL ensured that subcontractor-performed Commercial Grade Dedication fully identified and evaluated critical characteristics in accordance with the NQA-1 Standard. We could not determine this because LANL could not provide us with a list of Commercial Grade Dedication procurements.

This occurred because LANL procedures were insufficient to clearly identify the contract files related to Commercial Grade Dedication and how the Commercial Grade Dedication was completed. Although there is no specific requirement for them to maintain the information this way, this lack of documentation on Commercial Grade Dedication

procurements contrasts with established principles of transparency and accountability allowing for appropriate internal oversight as well as oversight from external entities such as the OIG and the GAO. Other sites across the Department maintain information that allows for transparency and accountability; therefore, we made a recommendation to improve data availability for LANL Commercial Grade Dedication. (DOE-OIG-21-28)

National Energy Technology Laboratory's Childcare Centers

NETL entered into Memoranda of Agreement with two nonprofit organizations, Bruceton Kids, Inc. and METC Kids, Inc., to provide childcare centers at its sites in Pittsburgh, Pennsylvania, and Morgantown, West Virginia. NETL relies on both organizations to provide primary oversight and contract with independent providers to operate its sites' childcare centers.

We initiated this audit to determine whether the childcare centers at NETL were managed in accordance with the Crime Control Act of 1990, applicable state requirements, and the requirements set forth by the respective contracts. The audit was conducted from August 2018 through October 2020.

We reviewed childcare centers at two NETL sites and were unable to verify that one of the childcare centers had complied with requirements for background investigations for its employees. Additionally, we found that neither site ensured that employees had completed state-mandated minimal hours of training as well as first aid training.

The issues we identified occurred, in part, because childcare center employees at one site were either no longer employed or documentation was unavailable to enable us to determine whether background checks had been performed in compliance with the Crime Control Act. The training issues occurred because officials responsible for maintaining and managing the employee training records did not provide adequate oversight.

Management concurred with the recommendations in our official draft report and stated that corrective actions had been taken to address them. During our audit, we verified that these actions had been taken. We therefore removed the recommendations from our final report. (DOE-OIG-21-30)

Management of Institutional General Plant Projects at Lawrence Livermore National Laboratory

LLNL maintains 686 buildings with 6.1 million total square feet of floor space. The age of the buildings, about 42 years on average, along with historically low maintenance budgets, has created a large backlog of buildings and systems in need of revitalization or modernization. NNSA accomplishes this, in part, through minor construction projects referred to as General Plant Projects. According to Department Order 430.1B, Real Property Asset Management, General Plant Projects are necessary to adapt facilities to new

or improved production techniques; to affect economies of operations; and to reduce or eliminate health, fire, and safety problems. Department Order 430.1B also identifies a class of General Plant Projects called IGPPs.

We initiated this audit to determine whether LLNL managed its IGPPs in accordance with applicable guidance. We found that LLNL followed applicable Department IGPP guidance for two of the three projects we reviewed. The two projects that complied with Department IGPP guidance included a manufacturing laboratory and a utilities project that provided needed utilities to LLNL. We found that these two projects benefited multiple programs at LLNL; therefore, they were institutional in nature. However, we found that the third project, a \$7.2 million renovation to Building 490, did not comply with Department IGPP guidance that required the project to be of a general institutional nature whose benefit cannot be directly attributed to a specific or single program and is required for general-purpose sitewide needs. The issues occurred, in part, because of incorrect interpretations of funding requirements for IGPPs and because of ineffective project reviews by LLNL and Livermore Field Office officials.

One recommendation was made to the Department's Acting Chief Financial Officer who concurred with the recommendation to review the potential violations identified and, in coordination with the Office of General Counsel, issue a determination consistent with the Office of General Counsel's legal guidance and provide any appropriate recommendations regarding disciplinary actions. The other six recommendations were made to NNSA management. NNSA non-concurred with many of our findings and recommendations and concurred in principle with one of the recommendations. The OIG will await the Chief Financial Officer's determination on the potential violations of the Anti-Deficiency Act, the purpose statute, and bona fide need rule. Since management's proposed corrective actions are not consistent with our recommendations, we do not consider these recommendations closed.

It should be noted that NNSA's comments address a prior recommendation that has since been eliminated. Specifically, in the prior draft report, our first recommendation was for NNSA to obtain a legal opinion as to whether the Building 490 renovation project violated the Anti-Deficiency Act and the purpose statute. Since our first draft report, NNSA obtained a legal opinion; therefore, we eliminated the associated recommendation from this report. (DOE-OIG-21-31)

The Office of Environmental Management's Mission Information Protection Program

The Department's Office of Environmental Management (Environmental Management) was created to prepare for and manage the cleanup efforts resulting from decades of the Department's nuclear weapons development and nuclear energy research. Information technology systems have become vital to the successful execution of its cleanup mission and operations. To enhance Environmental Management's information assurance and cybersecurity posture, the Mission Information Protection Program (MIPP) was formed to conduct a variety of activities including, but not limited to, independent cybersecurity assessments of Environmental Management field sites through testing and validation of

security controls; procuring enterprise cybersecurity tools; providing mission support cybersecurity services; and providing Information System Security Officer support for Environmental Management Headquarters. We initiated this audit to determine whether MIPP provided effective and efficient services while meeting its goals and objectives.

Our limited testing did not identify any issues with MIPP's Headquarters Security System component. However, we determined that the Information Security Continuous Monitoring (ISCM) function had not always provided effective and efficient services or fully met its goals and objectives. Specifically, the ISCM team had not always ensured that issues identified through its assessments were appropriately carried forward for evaluation and followup testing in subsequent years. Further, we found that over 400 weaknesses documented within ISCM's assessment reports had not been recorded in Environmental Management's central tracking system to ensure that key program officials had an accurate picture of the organization's overall cybersecurity and risk posture.

The issues related to the followup of assessment report weaknesses occurred, in part, because Environmental Management officials had not fully developed program documentation necessary to support MIPP's ISCM mission or ensure its effective operations. In addition, the issues related to corrective actions were due, in part, to the lack of a formalized process to ensure that the assessment reports' results were adequately shared and communicated, as well as to ensure the full implementation of the Risk Management Approach Implementation Plan. Specifically, Environmental Management Headquarters officials had not established a monitoring process to ensure that weaknesses identified and documented within MIPP ISCM assessment reports were entered into the central plan of action and milestones tracking system by site officials. Management agreed with our findings and recommendation, and its corrective actions are consistent with our recommendation. (DOE-OIG-21-32)

The Department of Energy's Control of Nuclear Reactor Safety Software Codes at Select Sites

Investigations conducted by multiple Federal agencies identified foreign entities in possession of, utilizing, or intending to use nuclear technologies developed by the U.S. On several occasions, these technologies were obtained in an inappropriate or potentially illegal manner. According to NNSA, the fact that foreign entities possess such technology does not necessarily indicate an unauthorized transfer by the Department; rather, it is likely that the foreign entities received the technology as a retransfer from a third party. Nonetheless, as a result of an unauthorized retransfer of the aforementioned incidents and growing proliferation concerns by the counterintelligence community and the Department alike, we initiated a review to determine whether the Department's policies and procedures ensure controls over code sharing with both domestic and foreign entities were established, adequate, and operating as intended.

Our report identified a concern regarding coordination and collaboration across the Department complex regarding codes and the controls over their distribution. Specifically, while we found the sites and associated programs reviewed had adequate policies,

procedures, and controls in place, which operated as intended, we determined that each of these entities had differences with their processes and procedures, and the Department did not have a coordinated approach to provide oversight over the use and distribution of such codes.

As a result of the issues identified in this report, the OIG made multiple recommendations that, if implemented, will assist in identifying risks related to developing and sharing nuclear software and effectively communicating those risks with appropriate individuals. Management concurred with our recommendations and stated that these recommendations will further strengthen the ongoing efforts in this area. The full report on this matter has been designated as for "Official Use Only" and is unavailable to the public. (DOE-OIG-21-34)

Management of the Cybersecurity Program at a Department of Energy Site

The full report on this matter has been designated as for "Official Use Only" and is unavailable to the public. (DOE-OIG-21-35)

Southwestern Federal Power System's Fiscal Year 2020 Financial Statement Audit

This report presents the results of the independent certified public accountants' audit of the Southwestern Federal Power System's combined balance sheets, as of September 30, 2020, and 2019, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the years then ended.

To fulfill the OIG's audit responsibilities, we contracted with the independent public accounting firm KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on the Southwestern Federal Power System's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The OIG 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 GAGAS. The OIG did not express an independent opinion on the Southwestern 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 Southwestern Federal Power System as of September 30, 2020, and 2019, and the results of its operations and its cash flow for the years then ended in conformity with U.S. generally accepted accounting principles.

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

The results of the auditors' review of the Southwestern Federal Power System's compliance with provisions of laws and regulations disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards. (DOE-OIG-21-37)

INSPECTION REPORTS

Allegations Related to the Office of Cybersecurity, Energy Security, and Emergency Response

The Department's Office of Cybersecurity, Energy Security, and Emergency Response (CESER) was established in 2018 to protect the reliable flow of energy to Americans from emerging threats by improving energy infrastructure security and to support the Department's national security mission. In late 2019, the OIG received multiple complaints related to CESER. Specifically, it was alleged that CESER lacked internal control policies and procedures and a full-time staff to oversee its budget. In addition, the OIG received allegations that \$7.5 million in CESER funds were allocated to Idaho National Laboratory to finance a startup company; software licenses purchased at a cost of up to \$2.2 million were not used; and \$2 million in CESER funds were inappropriately spent to update a General Services Administration web portal.

We initiated this inspection to determine whether allegations received by the OIG concerning CESER were substantiated. The inspection was performed from March 2020 through February 2021 and reviewed the CESER program in Washington, DC. We substantiated certain allegations related to CESER's management. In particular, we fully substantiated two of the allegations. Specifically, we substantiated that there was a lack of internal controls established for CESER even though the office received more than \$275 million since its inception. In addition, we substantiated that CESER purchased \$2.1 million in cybersecurity data analysis software licenses but only used the software during a 1-month period. Although we did not substantiate the remaining allegations, we did question the use of funds related to CESER's procurement activities.

The issues we identified occurred, in part, due to a lack of established internal control. The lack of program-level internal controls also contributed to identified weaknesses related to software acquisitions, the direction of program funds, and prematurely contracting for General Services Administration services. Had adequate controls been implemented, the weaknesses could have been identified and actions taken to ensure activities were conducted in accordance with laws and regulations. Overall, our review found that CESER spent approximately \$2.2 million more than necessary related to the information technology acquisitions and services highlighted in the allegations. Management concurred with the recommendations and stated that corrective actions were planned or underway to address the issues identified in the report. However, because timeframes for completing corrective actions were not provided, a management decision is required. (DOE-OIG-21-29)

Protective Force Program at a Select National Nuclear Security Administration Site

Because this report contains Unclassified Controlled Nuclear Information it is unavailable to the public. (DOE-OIG-21-33)

Allegations of Conflict of Interest at the Department of Energy's Office of Aviation Management

The Office of Aviation Management's (OAM) mission is to provide the Department, including NNSA, with aviation policies, guidance, and program management oversight to ensure the delivery of effective, efficient, and safe aviation services required to support the Department's mission. We initiated this inspection to determine the facts and circumstances regarding the alleged inappropriate conduct at the OAM. We substantiated the allegation that a senior OAM official solicited a Departmental contractor to accommodate additional aviation duties for a subordinate OAM official. This occurred while the OAM was conducting an independent audit of the contractor. Although we also determined that the senior OAM official made a similar solicitation previously, we did not substantiate two other allegations related to this official.

The issues we identified occurred, in part, because OAM officials did not follow the Department's guidance on ethical conduct for Federal employees to identify and mitigate the potential conflicts of interest and ethical concerns associated with the OAM's oversight role of the Department's aviation programs while flying for those aviation programs. In addition, the OAM did not adhere to its own protocols during its aviation audit of the Nevada Field Office and Mission Support and Test Services, LLC. To address the issues identified in this report, we have made two recommendations that, if fully implemented, should help ensure that these issues are corrected. Management fully concurred with our findings and recommendations, and its proposed corrective actions are consistent with our recommendations. (DOE-OIG-21-36)

The Closure of Savannah River Nuclear Solutions' Fiscal Year 2016 Allowable Cost Internal Audit

Since 2008, Savannah River Nuclear Solutions, LLC (SRNS) has managed SRS located near Aiken, South Carolina under a performance-based M&O contract. SRS is tasked with processing and storing nuclear materials, developing and deploying technologies to treat nuclear and hazardous wastes, and performing environmental management. As an M&O contractor, SRNS' financial accounts were required to be integrated with those of the Department. SRNS' Internal Audit Department was required to conduct annual cost allowability audits on costs included on SRNS' annual Statement of Costs Incurred and Claimed.

In October 2019, the President of SRNS closed the FY 2016 allowable cost internal audit being conducted by SRNS' Internal Audit Department prior to its completion. The Internal Audit Department's draft report included about \$1.2 million in questioned costs. We initiated this inspection to determine the facts and circumstances regarding the closure of SRNS' FY 2016 allowable cost internal audit.

Due to conflicts between an internal auditor and SRNS management, the required FY 2016 allowable cost internal audit was closed. An internal auditor filed a whistleblower complaint with the Department alleging that SRNS management exhibited unprofessional

behavior during internal audit briefings and pressured staff to remove findings from the internal audit report. When deciding to close the internal audit, the President cited concerns that the internal auditor's objectivity appeared to be impaired and that the audit exceeded budgeted hours. Upon closing the internal audit, the President indicated that the draft report and working papers had been provided to the Department's Contracting Officer. The Contracting Officer directed an independent review of the internal audit's findings in this case, determined the findings were sound, and subsequently issued a Notice of Intent to Disallow Costs for the \$1.2 million in questioned costs.

Closing this internal audit exposed an inherent problem in the Department's Cooperative Audit Strategy. The ability of a management official to close an ongoing internal audit required by contract indicates that the Internal Audit Department lacked sufficient organizational independence.

In April 2021, the OIG issued a Special Project Report, *The Transition to Independent Audits of Management and Operating Contractors' Annual Statements of Costs Incurred and Claimed*, highlighting its concerns with the effectiveness of the Cooperative Audit Strategy in providing adequate audit coverage of contractors' costs. The results of this inspection and associated recommendations were incorporated into the Special Project Report. Accordingly, we made no separate recommendations in this report. (DOE-OIG-21-38)

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Significant Management Decisions with Which the OIG is in Disagreement	5(a)(12)	18
Federal Financial Management Improvement Act-Related Reporting	5(a)(13)	N/A
Peer Review Results	5(a)(14–16)	23

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. With approximately 280 employees, the OIG strives to be a highly effective organization that promotes positive change.

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.

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.