

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

FOR PERIOD ENDING

**MARCH 31
2024**



A MESSAGE FROM THE INSPECTOR GENERAL

Honorable Members of Congress,

Last year, I had the opportunity to testify four times before Congress to discuss the substantial risks associated with the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA), which provided the Department with nearly \$100 billion in new appropriations and an increase in loan authority to more than \$414 billion. I have emphasized the substantial risks caused by funding over 71 new programs with untested internal controls, accelerating the deployment of this funding, and delivering much of this funding to states, local governments, and tribes not yet ready to ensure that the funding will be used as Congress intended. These risks are compounded by the Office of Inspector General (OIG) being underfunded for oversight.

As IIJA and IRA funding continues to flow at an unprecedented pace, the risk to the American taxpayer is increasing. As of March 2024, between the IIJA and IRA, the Department has awarded \$46 billion through grants and other forms of financial assistance. It is estimated that more than 80% of the total funding will ultimately be disbursed via grants and other forms of financial assistance, many of which may be awarded to states, local governments, and tribes.

Of greatest concern is the massive expansion in the Department's loan authority to more than \$414 billion, \$290 billion of which must be awarded or it will expire at the end of fiscal year 2026. As of the end of March 2024, the Department stated it has 203 active loan applications, seeking a cumulative amount of financing of over \$262.2 billion.

All this funding is continuing to flow at an accelerated pace while the OIG continues to be underfunded for oversight. While I greatly appreciate the transfer of oversight funding under the IIJA and IRA that Congress provided to the OIG in the Consolidated Appropriations Act, 2024, the OIG remains underfunded by \$294.5 million. While the Department may expend its supplemental funding until 2031 and beyond, it does not intend to do so at a leisurely pace. It is critical that the OIG have the necessary funds to provide oversight throughout the lifecycle of these programs. To plan for the entire lifecycle, the OIG must be adequately funded in real time.

Thank you for reading our latest *Semiannual Report*. I am very proud of my office and the excellent work in this report. As you will see, that work includes questioning over \$550 million in costs, identifying hundreds of cybersecurity vulnerabilities, and prosecuting cases with significant national security implications.



Teri L. Donaldson
Inspector General

TABLE OF CONTENTS

STATISTICAL HIGHLIGHTS

<i>Investigative Activities</i>	1
<i>Audit and Inspection Activities</i>	2

ACTIONS TAKEN BY DEPARTMENT MANAGEMENT IN RESPONSE TO OFFICE OF INSPECTOR GENERAL REPORTS AND INVESTIGATIONS	4
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TABLE OF PUBLISHED REPORTS

<i>The Office of Audits</i>	7
<i>The Office of Inspections, Intelligence Oversight, and Special Projects</i>	8
<i>The Office of Cyber Assessments and Data Analytics</i>	9

INVESTIGATIVE OUTCOMES

<i>Investigations Resulting in Reportable Outcomes</i>	10
<i>Investigations Involving Unauthorized Public Disclosure of Classified Information</i>	11
<i>Investigations Involving Senior Government Employees</i>	12

DATA ANALYTICS	12
-----------------------------	--------------------

INCURRED COST AUDITS DIVISION	13
--	--------------------

OFFICE OF COUNSEL	13
--------------------------------	--------------------

COOPERATION WITH THE OFFICE OF INSPECTOR GENERAL	14
---	--------------------

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC	20
---	--------------------

LEGISLATIVE AND REGULATORY REVIEWS	20
---	--------------------

CONGRESSIONAL TESTIMONY	20
--------------------------------------	--------------------

PEER REVIEWS	21
---------------------------	--------------------

SUMMARY OF SELECT ACTIVITIES	21
---	--------------------

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT-RELATED REPORTING	27
---	--------------------

SEMIANNUAL REPORTING REQUIREMENTS INDEX	28
--	--------------------

ABOUT THE DEPARTMENT AND THE OFFICE OF INSPECTOR GENERAL	29
---	--------------------

THE OFFICE OF INSPECTOR GENERAL HOTLINE CONTACT INFORMATION	29
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STATISTICAL HIGHLIGHTS

INVESTIGATIVE ACTIVITIES

Cases Open as of October 1, 2023	249
Cases Opened	36
Cases Closed	60
Cases Open as of March 31, 2024	225
Multi-Agency Joint Cases Opened During Period	94
Qui Tam ¹ Investigations Opened During Period	3
Total Open Qui Tam Investigations as of March 31, 2024	19
Total Investigative Reports ² Issued During Period	2
Administrative Discipline and Other Management Actions	14
Suspensions/Debarments ³	11
Referrals for Suspension/Debarment ⁴	14
Total Persons ⁵ Referred to a Prosecuting Authority	18
Department of Justice (DOJ) Referrals	16
State/Local Referrals	2
Referrals Accepted for Prosecution ⁶	17
Total Indictments ⁷ /Criminal Informations	6
Indictments/Criminal Informations Resulting from Prior Period Referrals	3
Criminal Convictions	5
Pre-trial Diversions	0
Civil Actions	4
Dollars Recovered ⁸ (Fines, Settlements, Recoveries)	\$4,962,202.36
Savings/Funds Put to Better Use ⁹	\$6,761,671.34

¹ For 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>.

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

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

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

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

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

⁷ Sealed indictments are included.

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

⁹ This includes funds from awards that were canceled or modified as a result of OIG investigations.

STATISTICAL HIGHLIGHTS

AUDIT AND INSPECTION ACTIVITIES

Total Reports Issued	18
Office of Audits Reports	6
Office of Inspections, Intelligence Oversight, and Special Projects Reports	3
Office of Cyber Assessments and Data Analytics Reports	9

BETTER USE OF FUNDS

	TOTAL NUMBER	BETTER USE OF FUNDS
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of March 31, 2024	0	\$0
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made)	1	\$6,430,000
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	0	\$0
(ii) Not agreed to by management	0	\$0
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period	1	\$6,430,000
Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions. Management Decision: Management’s evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response.		

QUESTIONED AND UNSUPPORTED COSTS

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned or unsupported costs for which decisions on dollars had not been made as of March 31, 2024	14	\$573,629,639	\$161,900,568	\$735,530,207
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made)	1	\$551,451,563	\$0	\$551,451,563
Reports that include questioned or unsupported costs for which a decision on dollars was made during the reporting period	7	\$70,541,538	\$0	\$70,541,538
(i) Value of disallowed costs		\$712,846	\$0	\$712,846
(ii) Value of costs not disallowed		\$69,828,692	\$0	\$69,828,692
Reports that include questioned or unsupported costs for which decisions on dollars have not been made at the end of the reporting period	8	\$1,054,539,664	\$161,900,568	\$1,216,440,232
Questioned Costs: A cost that is: (1) unnecessary; (2) unreasonable; (3) an alleged violation of law, regulation, contract, etc.; or (4) unresolved subcontract costs pending audit. Unsupported Costs: A cost that is not supported by adequate documentation.				

WHISTLEBLOWER ACTIVITIES

Whistleblower matters open as of October 1, 2023		60
Whistleblower matters opened this period		2
Whistleblower matters closed this period		2
Whistleblower matters closed via Investigative Reports	0	
Whistleblower matters closed via Letters	2	
Whistleblower matters open as of March 31, 2024		60

HOTLINE ACTIVITIES

Total Hotline calls, emails, letters, and other complaints (contacts) ¹⁰	3,881
Hotline contacts resolved immediately/redirected/no further action	3,645
Hotline contacts predicated for evaluation	236
Total Hotline predications processed this reporting period ¹¹	239
Hotline predications transferred to OIG Program Office	55
Hotline predications referred to Department of Energy management or other entity for information/action	104
Hotline predications closed based upon preliminary OIG activity and review	73
Hotline predications pending at the end of the reporting period	7

¹⁰ This number refers to any contact that required Hotline staff review, including re-contacts for additional information and requests for disposition.

¹¹ This number includes three predications carried over from the last semiannual reporting period.

ACTIONS TAKEN BY DEPARTMENT MANAGEMENT IN RESPONSE TO OFFICE OF INSPECTOR GENERAL REPORTS AND INVESTIGATIONS

During the reporting period from October 1, 2023, through March 31, 2024, the Department took positive actions resulting from OIG work conducted during the current or previous periods:

- ❖ **Employee Terminated After Boarding a Flight to South Korea with Nuclear Reactor Design Software in Export Control Investigation**
Idaho National Laboratory (INL) terminated a contractor employee after that employee attempted to board a flight to South Korea in possession of export-controlled information under 10 C.F.R. 810. The export-controlled information was proprietary nuclear reactor design software owned by INL. The OIG coordinated with and determined that the information was export-controlled and conducted a search of the employee's Government emails and chats showing the employee's knowledge of the export control restrictions and their communications with a foreign government. This is an ongoing joint investigation with the Federal Bureau of Investigation and Homeland Security Investigations.

- ❖ **National Nuclear Security Administration Informed the OIG That It Is Terminating an Energy Savings Contract After the OIG Determined That NNSA Was Paying for Energy Savings That Did Not Exist at the Pantex Plant**
As a result of preliminary audit findings, the National Nuclear Security Administration (NNSA) took immediate action to stop all service activity and began working toward terminating the Energy Savings Performance Contract with NORESKO, LLC at the Pantex Plant (Pantex). The OIG determined that NNSA paid over \$500,000 for replacement lighting that was never provided to Pantex for use, paid for energy savings for buildings that had been demolished or sold, and paid for energy savings from a leaking steam distribution system that was not even operating. The audit is ongoing.

- ❖ **Proposed Debarment Based on an OIG Investigation Finding That Someone Impersonating a Department Employee Entered a Secured Area and Photographed Equipment and Operations at the Port of Albany**
The OIG investigation determined that the individual falsely represented themselves as a Department official to gain access to a secure area of the Port of Albany, New York, where they photographed proprietary equipment and operations of a Department subcontractor. The individual was convicted by a jury in the U.S. District Court for the Northern District of New York of one count of Entry by False Pretenses and was sentenced to 60 days in prison, 1 year of supervised release, and a \$5,000 fine. The Department's Office of Acquisition Management issued a Notice of Suspension and Proposed Debarment proposing a debarment of 3 years.

❖ **The Department of Energy Continued to Gradually Address Numerous Cybersecurity Weaknesses Within its Unclassified Cybersecurity Program – 2023**

During our FY 2023 evaluation of the Department’s Unclassified Cybersecurity Program, we found that corrective actions had been taken to address some of the weaknesses identified during prior year cybersecurity evaluations. As a result of actions taken by management, the OIG closed 27 recommendations that addressed weaknesses in the Department’s cybersecurity program. Specifically, corrective actions were taken to address OIG-identified weaknesses related to identity and access management, configuration management, information security continuous monitoring, data protection and privacy, and risk assessments.

❖ **Fermi Research Alliance, LLC, Took Steps to Improve Its Management of Incurred Costs**

The Department took several actions to address OIG audit findings. Specifically, the Department reviewed Fermi Research Alliance’s (FRA) fiscal years (FY) 2022 and 2023 Cost Accounting Disclosure Statements to ensure they complied with Cost Accounting Standards (CAS) and that the indirect rates were correct. In addition, FRA implemented a CAS training program for current and new staff. This training provides an overview of the incurred cost submission process, an understanding of different contract types, and the indirect rate structure as it relates to the incurred cost submission. Finally, the FRA procurement database was updated to reflect the appropriate contract type for all subcontracts in the system. (DOE-OIG-23-29, August 2023)

❖ **The Department of Energy Addressed Prior Weaknesses During Its Fiscal Year 2023 Consolidated Financial Statements Audit**

In our audit report, *The Department of Energy’s Fiscal Year 2023 Consolidated Financial Statements*, we found that corrective actions had been taken to address the financial management weaknesses identified during prior year audits. Seven new recommendations were made in the report; however, as a result of actions taken by management, the OIG closed all six prior year recommendations that addressed weaknesses in the Department’s financial reporting processes. Corrective actions were taken to address OIG-identified weaknesses related to active facilities, environmental management, procurement, and long-term stewardship. (DOE-OIG-24-04, November 2023)

❖ **Oak Ridge National Laboratory Began to Correct Excessive Mandatory Overtime Hours Within Its Security Police Officer Ranks**

In response to an OIG referral, the Office of Science (Science) conducted an inquiry into safety concerns at the Oak Ridge National Laboratory (ORNL) related to the excessive number of mandatory overtime hours Security Police Officers (SPO) were required to work. Science’s inquiry substantiated several allegations and found SPOs worked over 58,000 hours of overtime in FY 2023, which was a 19 percent increase from FY 2022. Science also identified numerous instances of SPOs facing challenges with their work-life balance, to include marital and family

medical obligations, and safety risks associated with an overall lack of rest. Due to the OIG referral, the Oak Ridge Site Office has placed significant focus on hiring, overtime issues, and providing greater recognition to aid in employee retention.

❖ **The Department Took Steps to Improve Its Performance Management Process at the Idaho National Laboratory**

In response to our audit, the Department has taken a number of actions to strengthen the performance management process. The Idaho Operations Office (Idaho) completed actions through the extension and approval of the management and operating (M&O) contract to facilitate the assessment of contractor performance and to ensure the appropriateness of award fee payments. Also, Idaho's contract team coordinated with the Office of Acquisition Management for formal guidance on addressing Federal and Department Quality Assurance Surveillance Plan elements and updated language in the Tri-Annual Performance Evaluation and Measurement Plan to evaluate contractor performance. Further, the officials reviewed internal procedures to address inconsistencies to ensure that all oversight activities are documented, as required. Finally, Idaho's upper management worked with the appropriate individuals and evaluated staffing levels and oversight assignments to ensure resources were appropriately allocated and to meet the needs of providing adequate contract oversight. (DOE-OIG-23-10, November 2022)

❖ **The Department Terminated Two Cooperative Agreements Based on an OIG Grant Fraud Investigation**

In response to an OIG referral, the Department's Office of Energy Efficiency and Renewable Energy terminated two cooperative agreements with a Department award recipient. The OIG investigation determined the award recipient lacked adequate accounting practices and failed to pay vendors and sub-awardees in a timely manner. The OIG shared the investigative findings with Department officials, who rejected invoices, terminated the awards, and de-obligated the remaining funds on the awards, resulting in \$978,138 put to better use.

TABLE OF PUBLISHED REPORTS

OFFICE OF AUDITS

The following list identifies all audit reports issued from October 1, 2023, through March 31, 2024.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Nov. 6, 2023	<i>Independent Audit Report on Alliance for Sustainable Energy, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2021 and 2022</i> (Defense Contract Audit Agency Report 4631-2021N10100025 and 4631-2022N10100026) This report contains Controlled Unclassified Information and is not available for public viewing.	0	N/A	N/A	N/A
Nov. 17, 2023	<i>Management Challenges at the Department of Energy – Fiscal Year 2024</i> (DOE-OIG-24-05)	0	N/A	N/A	N/A
Nov. 22, 2023	<i>Management of Indirect Funded Minor Construction Projects at Argonne National Laboratory</i> (DOE-OIG-24-07)	4	\$6,430,000	N/A	N/A
Dec. 28, 2023	<i>Audit of Oak Ridge Associated Universities, Inc.'s Statement of Costs Incurred and Claimed Submissions Fiscal Years Ended September 30, 2018, through September 30, 2020</i> (Independent Public Accountant Report 0589262-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	2	N/A	\$551,451,563	N/A

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Mar. 11, 2024	<i>Bechtel National, Inc.'s Compliance with Contract Terms Relating to Self-Performed Work and Subcontracting for the Waste Treatment and Immobilization Plant</i> (DOE-OIG-24-13)	8	N/A	N/A	N/A
Mar. 11, 2024	<i>Audit of the Iowa State University's Management and Operating Contract of Ames National Laboratory's Statements of Costs Incurred and Claimed Submission for Fiscal Years Ended September 30, 2015, September 30, 2016, September 30, 2017, September 30, 2018, and September 30, 2019</i> (Independent Public Accountant Report 0603993-2380-19) This report contains Controlled Unclassified Information and is not available for public viewing.	4	N/A	N/A	N/A

OFFICE OF INSPECTIONS, INTELLIGENCE OVERSIGHT, AND SPECIAL PROJECTS

The following list identifies all related reports issued from October 1, 2023, through March 31, 2024.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Nov. 2, 2023	<i>Alleged Disclosure of Sensitive Information at the Department of Energy</i> (DOE-OIG-24-01)	3	N/A	N/A	N/A
Nov. 29, 2023	<i>Allegation Regarding Computing Facilities Maintenance and Calibration at the Oak Ridge National Laboratory</i> (DOE-OIG-24-08)	3	N/A	N/A	N/A

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Jan. 20, 2024	<i>Allegations of Security and Safety Concerns at Sandia National Laboratories</i> (DOE-OIG-24-11)	4	N/A	N/A	N/A

OFFICE OF CYBER ASSESSMENTS AND DATA ANALYTICS

The following list identifies all related reports issued from October 1, 2023, through March 31, 2024.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Nov. 14, 2023	<i>The Department of Energy Nuclear Waste Fund's Fiscal Year 2023 Financial Statement Audit</i> (DOE-OIG-24-02)	0	N/A	N/A	N/A
Nov. 14, 2023	<i>The Federal Energy Regulatory Commission's Fiscal Year 2023 Financial Statements</i> (DOE-OIG-24-03)	0	N/A	N/A	N/A
Nov. 15, 2023	<i>The Department of Energy's Fiscal Year 2023 Consolidated Financial Statements</i> (DOE-OIG-24-04)	0	N/A	N/A	N/A
Nov. 20, 2023	<i>The Federal Energy Regulatory Commission's Unclassified Cybersecurity Program – 2023</i> (DOE-OIG-24-06)	0	N/A	N/A	N/A
Dec. 20, 2023	<i>The Department of Energy's Implementation of the Cybersecurity Information Sharing Act of 2015</i> (DOE-OIG-24-09)	0	N/A	N/A	N/A
Jan. 16, 2024	<i>Management Letter on The Department of Energy's Fiscal Year 2023 Consolidated Financial Statements</i> (DOE-OIG-24-10)	7	N/A	N/A	N/A

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Mar. 7, 2024	<i>Management Letter on The Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2023</i> (DOE-OIG-24-12) This report contains Controlled Unclassified Information and is not available for public viewing.	34	N/A	N/A	N/A
Mar. 14, 2024	<i>The Department of Energy's Considerations and Use of Data Analytics</i> (DOE-OIG-24-14)	0	N/A	N/A	N/A
Mar. 27, 2024	<i>Management of Cybersecurity Over the Clearance Action Tracking System</i> (DOE-OIG-24-15) This report contains Controlled Unclassified Information and is not available for public viewing.	24	N/A	N/A	N/A

INVESTIGATIVE OUTCOMES

INVESTIGATIONS RESULTING IN REPORTABLE OUTCOMES

All OIG investigations that result in a reportable outcome are disclosed to the public in our *Semiannual Report to Congress*. The following table includes reportable outcomes during the period from October 1, 2023, through March 31, 2024.

SUMMARY TITLE
Sentencings in Bribery Investigation
Sentencing in a Bribery/Conspiracy/Money Laundering Investigation
Sentencing in Child Sexual Exploitation Case
Guilty Plea/Sentencing in Wire Fraud Investigation
Guilty Plea by Department Contractor
Former Contractor Employee Pleads Guilty
Former Contractor Indicted and Notice of Suspension Issued in Contract Fraud Investigation

SUMMARY TITLE
Former Senior Executive Service Employee Indicted
Indictment in a Former Department Contractor Misconduct/Cares Act Investigation
Indictment in Pension Theft Investigation
Arrest of Contractor Employee and Search Warrant in Child Exploitation Case
Civil Settlement in a Contract Fraud Investigation
Civil Complaint Filed Against Department Hanford Site Prime Contractor in Labor Mischarging Investigation
Funds Returned to the Department
Funds Put to Better Use in Grant Fraud Investigation
Reimbursement of Unallowable Costs
Fines Implemented in a Travel Fraud Investigation
Debarments in Theft of Government Property Investigation
Notice of Suspension and Proposed Debarment Issued in Entry by False Pretenses Investigation
Debarment in Traveler Incentive Program Fraud
Employee Termination in 10 Code of Federal Regulations Part 810 Investigation
Terminations in Drug Investigation
Response to Investigative Report to Management Issued Involving Willful Destruction of Public Records
Sentencing and Restitution in Health Insurance Fraud Investigation Associated with the Naval Reactors Field Office

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 October 1, 2023, through March 31, 2024, the work of OI 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	N/A

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

During the reporting period from October 1, 2023, through March 31, 2024, the following were investigations conducted by OI that involved a senior Government employee at the GS-15 level or above:

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO THE DEPARTMENT OF JUSTICE	DEPARTMENT OF JUSTICE DECLINATION
Alleged conflict of interest between an Assistant Secretary and a Department contractor employee.	Closed; Unsubstantiated.	Yes	Yes
Alleged acceptance of non-Federal expenses by Deputy Assistant Secretary from a non-Federal source.	Closed; Substantiated.	Yes	Yes, but was accepted for local prosecution.
Alleged conflict of interest between a Department Program Manager and a Department contractor.	Closed; Unsubstantiated.	No	N/A
Alleged fraud and false statements by a Department Director.	Closed; Unsubstantiated.	No	N/A
Alleged fraud by a Department Supervisor.	Closed; Unsubstantiated.	No	N/A

DATA ANALYTICS

The OIG is integrating the use of data analytics across its operations, as it continues its leadership role in this critical area. To date in FY 2024, the Data Analytics Division has supported over 50 projects. The Data Analytics Division also continues to use analytics to assess risks associated with the Department’s Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and Puerto Rico Energy Resilience Fund.

The OIG adheres to established Department privacy, records management, and cybersecurity policies. It manages the gathered information using the Department’s shared services information technology environment and employs safeguards to ensure the safeguarding of sensitive information. The OIG also recognizes the sensitivity of the data it requests, stores, analyzes, and aggregates; and uses additional controls to safeguard the information, going beyond basic controls mandated by the Department.

INCURRED COST AUDITS DIVISION

In April 2021, the OIG issued a Special Report (DOE-OIG-21-26), *The Transition to Independent Audits of Management and Operating Contractors' Annual Statements of Costs Incurred and Claimed*, and recommended a transition to an independent audit strategy for the Department's M&O contractors incurred costs. That transition has progressed, and in FY 2024 the OIG has continued to move forward with implementing this effort with planned increases in outreach and coverage. Specifically, all the Department's applicable M&O contractors will be engaged in active incurred cost audits in FY 2024. Further, the OIG has begun to perform a limited number of real-time labor testing audits and CAS Disclosure Statement Adequacy reviews. With a commitment of additional appropriated funding in future years, the OIG will be able to recruit additional skilled auditors and engage independent public accountants and the Defense Contract Audit Agency to expand its audit coverage in these areas and perform other related efforts, such as CAS Disclosure Statement Compliance Audits, CAS compliance audits, system audits, and real-time material testing. These activities are vital to ensure that billions of dollars in taxpayer funding are used to further the important missions of the Department, as directed by Congress.

OFFICE OF COUNSEL

The Office of Counsel provides a broad range of legal services to support the mission of the OIG. A few of these services are reported below.

SUSPENSION AND DEBARMENT

The OIG refers matters to suspension and debarment authorities as part of our mission to ensure the program and operational integrity of the Department. These referrals also protect the rest of the Government by preventing bad actors from participating in new Government contracts, grants, cooperative agreements, loan guarantees, and other transactions. The OIG's suspension and debarment practice provides forward-looking protection to complement the other remedies our work supports.

We made 14 such referrals during this reporting period.

ETHICS

During this reporting period, the OIG continued to provide ethics advice and counsel to OIG personnel per the Department of Energy's Designated Agency Ethics Official's delegation of January 2022. Ethics support provided during this reporting period included the review and certification of more than 220 annual Confidential Financial Disclosure Reports.

COOPERATION WITH THE OFFICE OF INSPECTOR GENERAL

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period from October 1, 2023, through March 31, 2024, the Department neither interfered with OIG independence nor denied funding to OIG activities.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

During the reporting period from October 1, 2023, through March 31, 2024, the Department worked with its contractors to resolve previously highlighted and prolonged resistance to OIG oversight. In September 2021, the OIG requested payroll-related data from a single contractor, and the contractor provided the requested data in 45 days. In March 2022, the OIG expanded the inquiry to 10 additional contractors at five sites. Only recently, in March 2024, have the last contractors complied with this request.

MANAGEMENT DECISION STATUS

No revised management decisions were made during the reporting period from October 1, 2023, through March 31, 2024. Regarding audit and inspection reports issued during prior reporting periods, none received a management decision and one lacked a management decision.

DATE ISSUED	REPORT TITLE	STATUS
Sept. 29, 2023	<i>Bechtel National, Inc.'s Cost Proposal Estimates for Baseline Change Proposal 02 and Its Contract Modification 384 Counterpart for the Waste Treatment and Immobilization Plant (DOE-OIG-23-34)</i>	The finalization of the management decision on this report is awaiting review and concurrence by the necessary Department elements.

RESOLUTION OF OIG RECOMMENDATIONS

During the reporting period from October 1, 2023, through March 31, 2024, there were no audit or inspection reports where the OIG disagreed with the management decision. However, during prior reporting periods, the OIG disagreed with the management decision for the following reports:

DATE ISSUED	REPORT TITLE	STATUS
Dec. 21, 2021	<i>Subcontract Administration at the Kansas City National Security Campus</i> (DOE-OIG-22-15)	The OIG recommended that NNSA direct the contractor to ensure that subcontracts are properly classified consistent with FAR. Improper classification of contracts as “fixed price” contracts may result in large volumes of subcontract payments going unaudited. NNSA initially declined the recommendation; however, after elevation of the disagreement to the Deputy Secretary on September 27, 2023, NNSA agreed to implement our recommendation.
Dec. 21, 2021	<i>Sandia National Laboratories Subcontract Closeout Process</i> (DOE-OIG-22-16)	The OIG recommended that NNSA direct the contractor to ensure that subcontracts are properly classified consistent with FAR. Improper classification of contracts as “fixed price” contracts may result in large volumes of subcontract payments going unaudited. NNSA initially declined the recommendation; however, after elevation of the disagreement to the Deputy Secretary on September 27, 2023, NNSA agreed to implement the recommendation.
July 22, 2021	<i>Protective Force Program at a Select National Nuclear Security Administration Site</i> (DOE-OIG-21-33) This report contains Official Use Only information and is not available for public viewing.	Protective force contractors are responsible for security at highly sensitive NNSA sites. The OIG reported that the protective force at a particular NNSA site is not maintaining any post assignment sheets or log sheets that would allow NNSA to determine whether all security posts were actually manned, by whom, and for what period of time. The OIG made two recommendations on this subject, which were initially declined by NNSA; however, after elevation of the disagreement to the Deputy Secretary on September 27, 2023, NNSA agreed to implement the recommendations.

163 RECOMMENDATIONS ACCEPTED BUT NOT YET IMPLEMENTED

The following table identifies 38 reports with a total of 163 recommendations, which were agreed to by the Department but have not been implemented as of March 31, 2024. The total potential cost savings associated with these reports is \$676,795,117.

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Dec. 17, 2007	<u>Beryllium Surface Contamination at the Y-12 National Security Complex</u> (IG-0783)	1	N/A
June 24, 2013	<u>Mitigation of Natural Disasters at Los Alamos National Laboratory</u> (OAS-M-13-04)	4	N/A
Feb. 14, 2014	<u>The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories</u> (OAS-M-14-02)	3	N/A
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	N/A
Apr. 26, 2017	<u>Department of Energy's West Valley Demonstration Project</u> (DOE-OIG-17-05)	5	N/A
Oct. 31, 2018	<u>The Department of Energy's Funds Distribution System 2.0</u> (DOE-OIG-19-03)	5	N/A
June 10, 2019	<u>The Department of Energy's Management of the ActioNet Information Technology Support Contract</u> (DOE-OIG-19-35)	4	N/A
June 1, 2020	<u>The Strategic Petroleum Reserve's Modernization Program</u> (DOE-OIG-20-43)	1-2	N/A
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
Sept. 30, 2020	<u>Tank Waste Management at the Hanford Site</u> (DOE-OIG-20-57)	2	N/A
Feb. 1, 2021	<u>The Department of Energy's Wildland Fire Prevention Efforts at the Los Alamos National Laboratory</u> (DOE-OIG-21-13)	3, 5	N/A

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Sept. 21, 2022	<u>The Management of Emergency Communication Systems at the Oak Ridge Reservation</u> (DOE-OIG-22-43) This report contains Official Use Only information and is not available for public viewing.	1, 3, 6	N/A
Nov. 1, 2022	<u>Depleted Uranium Hexafluoride Conversion Operations</u> (DOE-OIG-23-04)	1	N/A
Mar. 6, 2023	<u>Audit Coverage in Office of Science Grants</u> (DOE-OIG-23-14)	1, 3-4	\$56,835,650 (Rec 1)
Mar. 6, 2023	<u>Review of the Department's Insider Threat Analysis and Referral Center</u> (DOE-OIG-23-15) This report contains Controlled Unclassified Information and is not available for public viewing.	1-2, 4	N/A
Mar. 10, 2023	<u>Sandia National Laboratories' Verification of Certificates of Conformance for Nuclear Weapon and Weapon-Related Products</u> (DOE-OIG-23-16)	1	N/A
Mar. 30, 2023	<u>Security over Cloud Computing Technologies at Select Department of Energy Locations</u> (DOE-OIG-23-18)	1-4	N/A
May 17, 2023	<u>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2022 Agency Financial Report</u> (DOE-OIG-23-22)	2-3	N/A
June 1, 2023	<u>Access of Executive Branch Personnel Records</u> (DOE-OIG-23-23)	1-3	N/A
June 13, 2023	<u>Management of the Bonneville Power Administration's Cybersecurity Program</u> (DOE-OIG-23-25) This report contains Controlled Unclassified Information and is not available for public viewing.	1-19	N/A
July 13, 2023	<u>The Southwestern Federal Power System's Fiscal Year 2022 Combined Financial Statements Audit</u> (DOE-OIG-23-26)	1-3	N/A
July 31, 2023	<u>Audit of Brookhaven Science Associates, LLC's Statement of Costs Incurred and Claimed (SCIC) Submission Fiscal Year Ended September 30, 2020</u> (Independent Public Accountant Report 0579666-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	1	N/A

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Aug. 11, 2023	<u>Management of the Los Alamos National Laboratory's Unclassified Cybersecurity Program</u> (DOE-OIG-23-28) This report contains Controlled Unclassified Information and is not available for public viewing.	1-2	N/A
Aug. 28, 2023	<u>Fermi Research Alliance, LLC, Costs Claimed under Department of Energy Contract No. DE-AC02-07CH11359 for Fiscal Year 2018</u> (DOE-OIG-23-29)	2-3, 9	\$60,674 (Rec 2) \$14,914,107 (Rec 3) \$30,890 (Rec 9)
Sept. 19, 2023	<u>Management Letter on The Western Federal Power System's Fiscal Year 2022 Financial Statement Audit</u> (DOE-OIG-23-33)	1-6	N/A
Sept. 28, 2023	<u>Bechtel National, Inc.'s Cost Proposal Estimates for Baseline Change Proposal 02 and Its Contract Modification 384 Counterpart for the Waste Treatment and Immobilization Plant</u> (DOE-OIG-23-34)	2, 8	N/A
Sept. 29, 2023	<u>Sensitive and High-Risk Property Management at the Brookhaven National Laboratory</u> (DOE-OIG-23-35)	1-3	N/A
Sept. 29, 2023	<u>The Department of Energy's Oversight of the Employee Concerns Program</u> (DOE-OIG-23-36)	1	N/A
Sept. 29, 2023	<u>UT-Battelle, LLC, Costs Claimed under Department of Energy Contract No. DE-AC05-000R22725 for Fiscal Year 2017</u> (DOE-OIG-23-37)	3-4	\$15,311,819 (Rec 3)
Nov. 22, 2023	<u>Management of Indirect Funded Minor Construction Projects at Argonne National Laboratory</u> (DOE-OIG-24-07)	1-4	\$6,430,000
Nov. 29, 2023	<u>Allegation Regarding Computing Facilities Maintenance and Calibration at the Oak Ridge National Laboratory</u> (DOE-OIG-24-08)	2	N/A
Dec. 28, 2023	<u>Audit of Oak Ridge Associated Universities, Inc.'s Statement of Costs Incurred and Claimed (SCIC) Submissions Fiscal Years Ended September 30, 2018, through September 30, 2020</u> (Independent Public Accountant Report 0589262-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	2	\$551,451,563

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Jan. 16, 2024	<u>Management Letter on The Department of Energy's Fiscal Year 2023 Consolidated Financial Statements</u> (DOE-OIG-24-10)	1-7	N/A
Jan. 30, 2024	<u>Allegations of Security and Safety Concerns at Sandia National Laboratories</u> (DOE-OIG-24-11)	1-4	N/A
Mar. 7, 2024	<u>Management Letter on The Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2023</u> (DOE-OIG-24-12) This report contains Controlled Unclassified Information and is not available for public viewing.	1a-c, 2a, 3a, 4a, 7a-b, 8a-b, 9a-b, 10a-b, 11a-b, 12a-b, 13a-b, 14a-b, 15a-b, 16a-b, 17a-d, 18a-b	N/A
Mar. 11, 2024	<u>Bechtel National, Inc.'s Compliance with Contract Terms Relating to Self-Performed Work and Subcontracting for the Waste Treatment and Immobilization Plant</u> (DOE-OIG-24-13)	1-8	N/A
Mar. 11, 2024	<u>Audit of the Iowa State University (ISU)'s Management and Operating (M&O) Contract of Ames National Laboratory's Statements of Costs Incurred and Claimed (SCIC) Submission for Fiscal Years Ended September 30, 2015, September 30, 2016, September 30, 2017, September 30, 2018, and September 30, 2019</u> (Independent Public Accountant Report 0603993-2380-19) This report contains Controlled Unclassified Information and is not available for public viewing.	1-4	N/A
Mar. 27, 2024	<u>Management of Cybersecurity Over the Clearance Action Tracking System</u> (DOE-OIG-24-15) This report contains Controlled Unclassified Information and is not available for public viewing.	1-27	N/A

Total Open Recommendations

163

\$676,795,117¹²

¹² This number under-represents the potential monetary impact of the recommendations. The Council of the Inspectors General on Integrity and Efficiency is currently examining metrics associated with monetary impact calculations.

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The OIG did not issue any reports that were undisclosed to the public for the reporting period from October 1, 2023, through March 31, 2024.

LEGISLATIVE AND REGULATORY REVIEWS

Most of the legislative reviews occurring during this period took place at the request of the Council of the Inspectors General on Integrity and Efficiency’s Legislation Committee. The OIG gave substantive input on several legislative proposals.

CONGRESSIONAL TESTIMONY

On October 19, 2023, Inspector General Teri Donaldson appeared before the Senate Committee on Energy and Natural Resources. The purpose of this hearing was to examine the Department’s decision-making process for awarding competitive loans and grants funded through the IRA and IIJA, and the Department’s overall innovation investment strategy.

During the testimony before the Committee, Inspector General Teri Donaldson highlighted the risks associated with the recent legislation that provided the Department of Energy nearly \$100 billion and increased its loan authority to more than \$400 billion. The current situation brings tremendous risk to the taxpayers—the combination of standing up 72 new Department programs, a real risk of funding entities with foreign ownership or control, and a historic expansion of the Department’s loan program. One category of loan guarantees worth an estimated \$250 billion will expire on September 30, 2026. Another category of loan guarantees worth an estimated \$40 billion will expire on the same date—\$290 billion over the next 3 years or, put another way, roughly \$8 billion per month over the next 36 months. There is no precedent in the Department for this level and pace of financing. To put that amount into perspective, Wells Fargo, one of the Nation’s largest banks, had an outstanding domestic commercial and industrial loan balance of \$292 billion as of the end of 2022. Further, many of these projects are designed to promote innovation by financing projects not otherwise acceptable by private equity investors—projects the markets do not view acceptable.

These massive new risks to the taxpayer are occurring in tandem with substantial underfunding of the OIG. Underfunding oversight makes an inherently risky situation much more amenable to fraud, waste, and abuse. Without substantially increased resources, the OIG’s oversight will be a fraction of what it should be, and it will not include any oversight of many key areas.

PEER REVIEWS

PEER REVIEWS CONDUCTED BY DEPARTMENT OF ENERGY OIG OCTOBER 1, 2023 – MARCH 31, 2024			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audit	None	N/A	N/A
Inspection	None	N/A	N/A
Investigation	None	N/A	N/A

PEER REVIEWS CONDUCTED BY OTHER OIGS OCTOBER 1, 2023 – MARCH 31, 2024				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audit	None	N/A	At Least Once Every 3 Years	N/A
Inspection	None	N/A	At Least Once Every 3 Years	N/A
Investigation	None	N/A	N/A	N/A

SUMMARY OF SELECT ACTIVITIES

Sentencings in Bribery Investigation

A former Department contractor and a former Department procurement officer for the Thomas Jefferson National Accelerator Facility were sentenced in the U.S. District Court for the Eastern District of New York. The former contractor was sentenced to 6 months home confinement, followed by 2 years supervised release, and was ordered to pay \$1,805,147 in restitution and \$911,385 in forfeiture. The former procurement officer was sentenced to 24 months Federal probation and ordered to pay \$18,000 in forfeiture. As previously reported in the September 30, 2023, *Semiannual Report to Congress*, the OIG investigation determined that the former procurement officer received a bribe in exchange for efforts to steer a Department contract to the former contractor. The investigation also revealed that suspect counterfeit items were sold to the Department by the contractor, which caused a fire at the Thomas Jefferson National Accelerator Facility, leading to \$1.8 million in repairs and other costs. The suspect items failed during a research and development operation causing significant damage, loss of work hours, and project downtime. The former contractor was also referred to the Department for suspension. A link to a previous DOJ press release can be found [here](#).

Civil Settlement in a Contract Fraud Investigation

A Department contractor entered into a \$1,756,066 Civil Settlement Agreement with the DOJ to resolve allegations that the contractor, through its subsidiaries, had improperly received multiple U.S. Government contracts that were set aside for small businesses for which the contractor was ineligible. The OIG investigation determined that 105 Government contracts were affected, of which 2 were with the Department. The settlement agreement allows the Department to recoup the maximum False Claims Act penalties for each of these contracts. The DOJ press release can be found [here](#).

Sentencing and Restitution in Health Insurance Fraud Investigation Associated With the Naval Reactors Field Office

A Department subcontractor employee was sentenced in the State of Idaho District Court of the 6th Judicial District, in and for the county of Bannock, after pleading guilty to Grand Theft, Felony, Idaho Code § 18-2407(1)(b). The subcontractor employee was given a suspended sentence of 6 years incarceration with 3 years fixed and 3 years indeterminate and placed on supervised probation for 14 years; and was ordered to pay restitution to the Department in the amount of \$330,154.00, and restitution to the Medicaid Division of the Idaho Department of Health & Welfare in the amount of \$4,738.35. The OIG investigation determined that from January 1, 2016, through December 21, 2019, the subcontractor employee wrongfully received insurance funds reimbursed by the Department and Medicaid funds. This is a joint investigation involving the U.S. Attorney's Office and the Attorney General's Office for the State of Idaho. The investigation is ongoing.

Funds Returned to the Department

The Department's Argonne Site Office notified the OIG that it had issued the M&O for Argonne National Laboratory (ANL), UChicago Argonne, LLC, three final written notices for disallowed costs for unallowable expenses made by a former ANL employee. The total disallowed costs were \$186,655, of which \$169,304 was for indirect costs associated with level of effort; \$7,359 for unallowable travel; and \$9,991 for unnecessary eCommerce purchases. As previously reported in the September 30, 2023, *Semiannual Report to Congress*, these disallowed costs were the result of the former ANL employee abusing a position of trust for their personal benefit. The OIG investigation determined the employee utilized multiple project codes across their division to conceal the purpose of unnecessary and excessive purchases. In addition, the OIG investigation also determined that the former employee took unnecessary travel, had undisclosed conflicts of interest, and hired personal friends and family to work directly for themselves. This is an ongoing joint investigation with the New Lenox, Illinois Police Department and the Will County, Illinois District Attorney.

The Department of Energy's Consideration and Use of Data Analytics

Despite increased Federal efforts to promote information as a valuable national resource and strategic asset, and the progress made by comparable peers, the Department lacks the data and governance structure necessary to make critical decisions or gain visibility into program objectives. The Department's distributed and decentralized environment further exacerbates already existing data access and management challenges. Notably, the

Department relies on M&O contractors to leverage cutting edge talent and upon America's industrial know-how to work the most difficult science and engineering challenges. Although some sites may use data analytics, the Department has not effectively leveraged its many experts within its complex to develop and implement an enterprise-wide data analytics program. As a result, data management and analytics challenges continue to hinder the Department's ability to detect fraud, enhance data-driven decision making, and ensure stewardship of Federal resources. (DOE-OIG-24-14, March 2024)

Sentencing/Debarment in Theft of Government Property Investigation

A former Department vendor was sentenced in the U.S. District Court of Colorado to probation for a term of 4 years, restitution in the amount of \$179,314, and a \$600 special assessment after they were found guilty of six counts of Wire Fraud. The OIG was informed that the Department's Suspension and Debarment Official issued notices of debarment actions against four contractor employees and two companies that participated in a scheme to steal money from the Western Area Power Administration (WAPA). As previously reported in several recent *Semiannual Reports to Congress*, the OIG investigation determined that numerous Department vendors participated in a fictitious billing scheme, conspiring with a Department contractor employee tasked with inventory management duties at a Department-owned warehouse. The warehouse employee submitted fictitious purchase orders to the vendor companies to order goods for the warehouse. Most of the goods ordered from the vendor companies were never actually received by the warehouse, and the proceeds from the purchases were stolen by the warehouse employee and vendors involved in the scheme. A Department vendor was found guilty in a jury trial on six counts of Wire Fraud. This is an ongoing investigation with various Federal agencies.

Sentencing in a Bribery/Conspiracy/Money Laundering Investigation

A former Department contractor was sentenced in the U.S. District Court for the Northern District of Texas on one count of False Statements. The former contractor was sentenced to 3 years probation and ordered to pay a \$100,000 fine. As previously reported in the September 30, 2023, *Semiannual Report to Congress*, the OIG investigation determined the former contractor knowingly and willfully made a false, fraudulent, or fictitious statement or representation to Consolidated Nuclear Security (CNS) in that the former contractor did not have a familial, business, financial, or personal relationship with anyone doing business with CNS when such a relationship did exist. Further, the investigation determined the former contractor employee, as a Contract Specialist, issued purchases orders to a relative's company and in return for the issuance of these purchased orders the former contractor employee received payments from the relative's company. This is an ongoing investigation.

Bechtel National, Inc.'s Compliance With Contract Terms Relating to Self-Performed Work and Subcontracting for the Waste Treatment and Immobilization Plant

In December 2000, the Department awarded Bechtel National, Inc. (Bechtel) a \$4.3 billion cost-reimbursement contract to design and complete the Waste Treatment and Immobilization Plant (WTP). Bechtel's original WTP contract contained a clause requiring Bechtel to self-perform 40 percent of the work on the contract and to subcontract the remaining 60 percent. We found that Bechtel: is not on track to meet its self-performance

objective; billed the Department for unallowable fees, which Bechtel later self-disclosed; and did not competitively award many of its subcontracts. In addition, we found that in the original contract, the Department agreed to a clause that only allows 7 days to review invoices as opposed to the typical 30 days allowed under the Prompt Payment Act, making it difficult for a thorough review to be performed; did not use the full 7 days allowed; and lacked the information needed to identify unallowable fees. Finally, we found that Bechtel was not giving vendors sufficient time to respond to solicitations.

(DOE-OIG-24-13, March 2024)

Allegations of Security and Safety Concerns at Sandia National Laboratories

The OIG received two complaints alleging inappropriate management response to security and safety events at Sandia National Laboratories (SNL). We substantiated the allegation that SNL management allowed a vendor to introduce and use a prohibited Bluetooth-enabled device in a Limited Area, and SNL management did not track its presence or report it properly. However, we did not substantiate that SNL management deceptively attempted not to report it. Specifically, we determined that SNL management had approved an exemption for the Bluetooth-enabled device to be brought into the Limited Area on a temporary basis and did not track it. Moreover, we did not substantiate the allegation that SNL management failed to respond to a water leak that subsequently flooded part of SNL's Microsystems Engineering, Science and Applications Complex, which posed serious risks to equipment and personnel. (DOE-OIG-24-11, January 2024)

Management of Cybersecurity Over the Clearance Action Tracking System

To address the issues identified in this report, we made 24 recommendations that, if fully implemented, should improve the NNSA's ability to effectively manage security over the Clearance Action Tracking System. Because this report contains Controlled Unclassified Information, it is not being released to the public. (DOE-OIG-24-15, March 2024)

Guilty Plea/Sentencing in Wire Fraud Investigation

A former Department contractor at the Savannah River Site pleaded guilty in the U.S. District Court for the District of South Carolina and was sentenced to 5 years probation, fined restitution in the amount of \$24,000, and ordered to pay a special assessment fee of \$100. As previously reported in the March 31, 2023, *Semiannual Report to Congress*, the contractor was indicted in that same district on one count of Wire Fraud. The OIG investigation determined that the contractor fraudulently applied for and received an Economic Injury Disaster Loan (EIDL) in the amount of \$25,000 to which they were not entitled. The contractor admitted to reporting fraudulent revenue and cost of goods on the online application, which was submitted using Department computing resources. The contractor used the money to fund personal travel and pay for personal expenses.

Guilty Plea by Department Contractor

A former Department subcontractor pleaded guilty in the U.S. District Court for the Eastern District of New York to one count of Conspiracy to Commit Mail and Wire Fraud for importing security turnstiles from China in violation of the Trade Agreement Act. The OIG investigation determined that the former subcontractor conspired with others to import products from China falsely marked as made in the U.S. The investigation revealed the

subcontractor sold the U.S. Government turnstiles to be used at the Oak Ridge, Tennessee Federal Building, which had been marked by Custom and Border Protection officials at the port of entry as being from China. The contractor along with other associates were later indicted in the U.S. District Court for the Eastern District of New York. This was a joint investigation with the Federal Bureau of Investigation, Naval Criminal Investigative Service, and General Services Administration OIG.

Former Contractor Indicted and Notice of Suspension Issued in Contract Fraud Investigation

A former Department contractor at the Kansas City National Security Campus and a former Department vendor were indicted in the U.S. District of Kansas on six counts including Conspiracy to Commit Wire Fraud, Wire Fraud, and Honest Services Fraud. The Department also issued Notice of Suspensions to the former Department contractor and to the vendor. The OIG investigation found the contractor steered awards to the vendor and received more than \$1.3 million in bribes and kickbacks associated with the procurement of equipment for nuclear weapons development. The vendor was also indicted on one count of False Statements after lying to OIG Agents during an interview. This is an ongoing investigation.

Former Senior Executive Service Employee Indicted

A former Department Senior Executive Service employee was indicted in the U.S. District Court for the District of Maryland on two counts of Coercion and Enticement of a Minor and one count of Transfer of Obscene Material to Minors. The OIG investigation determined that the employee had utilized their Government-issued cell phone to communicate illicitly with a minor. This is an ongoing investigation led by the OIG, with assistance from the U.S. Army Criminal Investigative Division, Department of Homeland Security, Homeland Security Investigations, Hagerstown Police Department (MD), and the Maryland Department of State Police Internet Crimes Against Children Task Force.

Civil Complaint Filed Against Department Hanford Site Prime Contractor in Labor Mischarging Investigation

A civil complaint was filed in the U.S. District Court for the Eastern District of Washington involving the Department's Hanford prime contractor, Hanford Mission Integrated Solutions (HMIS). The complaint alleged the use and submittal of false and fraudulent claims and statements to the U.S. by HMIS, which knowingly engaged in systemic and fraudulent overstatement of labor hours for critical fire protection work at the Department's Hanford Site. The OIG investigation determined that numerous HMIS Fire Systems Maintenance Organization (FSM) employees and first line supervisors experienced excessive idle time associated with HMIS' failure to appropriately plan and schedule FSM work, and an unproductive work execution. The Department's Office of River Protection (Hanford Site) also issued a downgrade to HMIS on its FY 2023 Performance Evaluation and Measurement Plan due to HMIS' failure to effectively manage the FSM personnel, work activities, and associated costs. This is an ongoing investigation into False Claims Act violations related to labor mischarging and excessive idle time in the Hanford Site's Fire Systems Maintenance work scope.

Sentencing in Child Sexual Exploitation Case

A former Information Technology Department contractor at the Y-12 National Security Complex was sentenced in the U.S. District Court for the Eastern District of Tennessee to 151 months incarceration, followed by 10 years supervised release, and \$5,000 in restitution. As previously reported in the September 30, 2023, *Semiannual Report to Congress*, the OIG investigation determined the former contractor possessed and distributed Child Sexual Abuse Material via social media. The former contractor was subsequently indicted and arrested for Distribution of Child Pornography and Possession of Child Pornography. A link to a previous DOJ press release can be found [here](#).

Debarment in Traveler Incentive Program Fraud

NNSA notified the OIG of a debarment action taken against a former Department contractor at the Y-12 National Security Complex for a term of 3 years. The OIG investigation determined that the former Department contractor provided false certifications to CNS regarding their permanent residence to appear eligible for traveler incentive pay from CNS. The former Department contractor claimed to live outside of Tennessee to receive the travel incentive. The OIG investigation revealed the former Department contractor was living in Tennessee as a permanent resident, which disqualified the contractor from receiving the travel incentive.

Alleged Disclosure of Sensitive Information at the Department of Energy

The OIG received an allegation that classified information was disclosed during a routine, unclassified NNSA meeting at the Department Headquarters' Forrestal Building held with a mix of in-person, video conference, and telephonic attendees—some of whom did not have a need-to-know regarding the classified information. According to the allegation, the NNSA incident was reported to an Office of Intelligence and Counterintelligence (IN) official, who conducted a formal review of the matter, but the report was subsequently “buried” by senior IN management. Although we did not substantiate the allegations regarding disclosure of classified information and the IN report being “buried” by senior IN management, we did substantiate the allegation that the suspected incident was not properly reported. During our inspection, we also noted a discrepancy between expectations and the written policy contained in the Headquarters Facilities Master Security Plan. (DOE-OIG-24-01, November 2023)

Allegation Regarding Computing Facilities Maintenance and Calibration at the Oak Ridge National Laboratory

The OIG received an allegation regarding poor management of computing facilities maintenance and calibration in the data centers related to buildings 5300, 5600, and 5800 at ORNL. We substantiated that UT-Battelle, LLC's calibration program was inadequate to meet quality assurance requirements in the data centers related to buildings 5300, 5600, and 5800 at ORNL. Further, we substantiated that maintenance was not always performed on pressure relief valves according to applicable criteria. We also found that UT-Battelle LLC's quality assurance requirements did not always flow down properly to its subcontracts. If quality assurance requirements are not met for monitoring software, maintenance issues or unforeseen outages could occur. Also, failure to test or inspect pressure relief valves could cause the system to exceed allowable pressure limits,

potentially resulting in events that may harm personnel and equipment. Finally, if the electrical and mechanical infrastructure is not properly maintained, it could affect the availability of computational space, hindering customers' ability to meet their mission needs. (DOE-OIG-24-08, November 2023)

Management of Indirect Funded Minor Construction Projects at Argonne National Laboratory

ANL did not manage two of the five projects we reviewed in accordance with applicable laws, regulations, Science's and ANL's policies and procedures, and Department guidance. Specifically, we found a \$2.2 million buildout of laboratory space project that did not clearly and consistently document the reason for the renovation and how it supported multiple mission needs. The supporting project documentation showed that a single physicist's work was the impetus for the renovation and that physicist's work only benefited one program. Additionally, we found one of two subprojects that were part of a \$4.2 million redundant cooling towers system project did not support multiple mission needs because it only benefited a user facility funded by one program. (DOE-OIG-24-07, November 2023)

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT-RELATED REPORTING

Reporting on Federal Financial Management Improvement Act requirements is addressed annually via the audit of the Department's consolidated financial statements. The most recent audit was conducted by KPMG LLP on the OIG's behalf. In the audit report, *The Department of Energy's Fiscal Year 2023 Consolidated Financial Statements*, KPMG LLP stated that its test results disclosed no instances in which the Department's financial management system did not substantially comply with: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transactions level. (DOE-OIG-24-04; November 2023)

SEMIANNUAL REPORTING REQUIREMENTS INDEX

This table identifies the report sections that meet each reporting requirement prescribed by the Inspector General Act of 1978 and the Inspector General Empowerment Act of 2016.

REPORTING REQUIREMENT	SECTION	PAGE
Review of Legislation and Regulations	5 U.S.C. § 404(a)(2)	20
Total Number of Issued Investigative Reports	5 U.S.C. § 405(a)(11)(A)	1
Referrals to the DOJ for Criminal Prosecution	5 U.S.C. § 405 (a)(11)(B)	1
Total Number of Persons Referred to the State/Local Prosecuting Authorities for Criminal Prosecution	5 U.S.C. § 405 (a)(11)(C)	1
Total Number of Indictments and Criminal Informations During the Reporting Period that Resulted from Any Prior Referral to Prosecuting Authorities	5 U.S.C. § 405 (a)(11)(D)	1
Description of the Metrics Used for Developing the Data for the 5(a)(11) Statistical Tables	5 U.S.C. § 405 (a)(12)	1
Investigations Involving Senior Government Employees	5 U.S.C. § 405 (a)(13)	12
Instances of Whistleblower Retaliation	5 U.S.C. § 405 (a)(14)(A)	3
Detailed Description of Any Attempt by the Department to Interfere With the Independence of the OIG	5 U.S.C. § 405 (a)(15)(A)	14
Reviews Closed and Not Disclosed to the Public	5 U.S.C. § 405 (a)(16)(A)	20
Recommendations for Corrective Action to Significant Problems	5 U.S.C. § 405 (a)(1)	14
Previous Reports' Recommendations for Which Corrective Action Has Not Been Implemented	5 U.S.C. § 405 (a)(2)	16
Summary of Significant Investigations	5 U.S.C. § 405 (a)(3)	21
Total Number of Convictions in This Reporting Period	5 U.S.C. § 405 (a)(4)	1
Information Regarding Each Audit, Inspection, or Evaluation Report Issued	5 U.S.C. § 405 (a)(5)(A)	7
Description of Significant Reports	5 U.S.C. § 405 (a)(1)	21
Dollar Value of Questioned Costs	5 U.S.C. § 405 (a)(5)(B)	2
Reports With Recommendations That Funds Be Put to Better Use	5 U.S.C. § 405 (a)(5)(B)	2
Management Decision Status	5 U.S.C. § 405 (a)(6)	14
Federal Financial Management Improvement Act-Related Reporting	5 U.S.C. § 405 (a)(7)	27
Peer Review Results	5 U.S.C. § 405 (a)(9–10)	21

ABOUT THE DEPARTMENT AND THE OFFICE OF INSPECTOR GENERAL

The Department is headquartered in Washington, DC, and is also responsible for the Energy Information Administration, NNSA, 21 pre-eminent 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 Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of “eyes and ears” to evaluate management practices.

THE OFFICE OF INSPECTOR GENERAL HOTLINE CONTACT INFORMATION

Contact the OIG Hotline if you suspect fraud, waste, or abuse involving Department programs, or by a Department 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	1-202-586-4073
Fax	1-202-586-4902
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.