

**Inspector General**

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# **Office of Inspector General**

## **Proposed Appropriation Language**

For necessary expenses of the Office of the Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, [~~\$39,462,000~~] *\$41,508,000*, to remain available until expended.

### **Explanation of Change**

The only change from the language proposed in FY 2004 is to the proposed funding amount.



# Office of Inspector General

## Overview

### Appropriation Summary by Program

(dollars in thousands)

	FY 2003 Comparable Appropriation	FY 2004 Original Appropriation	FY 2004 Adjustments	FY 2004 Comparable Appropriation	FY 2005 Request
Office of Inspector General.....	37,426	39,462	-233 <sup>a</sup>	39,229	41,508
Total, Office of Inspector General...	37,426	39,462	-233	39,229	41,508

#### Preface

As mandated by the Inspector General Act (IG Act) of 1978, as amended, the Office of Inspector General (OIG) promotes the effective, efficient, and economical operation of the Department of Energy (DOE), including the National Nuclear Security Administration (NNSA) and the Federal Energy Regulatory Commission (FERC), through audits, investigations, inspections, and other reviews designed to detect and prevent fraud, waste, abuse, and violations of law. This budget highlights the partnership between the OIG and the Department and the collective effort of ensuring that the Department is:

- Operating within the scope of its legislative mandates;
- Effectively fulfilling the goals of its programs; and,
- Efficiently using resources (including human and financial).

It also reflects some of the steps taken by the Department to improve program operations, as a result of OIG recommendations.

Within the Office of Inspector General appropriation, the OIG is one single program with four divisions: the Office of Audit Services, the Office of Investigations, the Office of Inspections and Special Inquiries, and the Office of Resource Management.

This Overview will describe Strategic Context, Mission, Benefits, and Accomplishments. These items together put this appropriation in perspective.

#### Strategic Context

Following publication of the Administration's National Energy Policy, the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven

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<sup>a</sup> Distribution of the rescission from the Consolidated Omnibus Appropriation Bill for FY 2004.

general goals to support the strategic goals. As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department but with additional effort from other offices that support the programs in carrying out the mission. The OIG performs a critical function necessary for success in achieving DOE's goals by providing independent audits, investigations, and other reviews of DOE's programs. These audits, reviews and investigations identify opportunities for cost savings and operational efficiencies and also return hard dollars to DOE and the U.S. Treasury as a result of civil and criminal prosecutions.

The expertise of the OIG is important to the Department in identifying various types of waste, fraud, abuse, and violations of law. For example, the OIG contributes to the Department's Strategic Plan by providing recommendations to facilitate the Department's efforts to:

- Implement the President's Management Agenda;
- Resolve management challenges;
- Execute the Secretary's priorities; and,
- Ensure integrity of the Federal and contractor workforce.

In addition, by utilizing its unique investigative authority, the OIG is able to deter different forms of civil wrongdoing and criminal activity that might otherwise go undetected.

## **Mission**

The OIG's core mission is to promote the effective, efficient, and economical operation of the Department, including NNSA and FERC, through audits, investigations, inspections, and other reviews to detect and prevent waste, fraud, abuse and violations of law. The OIG also performs a number of functions mandated by statutes, Executive orders, and regulations not included in the IG Act.

Moreover, the OIG periodically performs sensitive, complex, high-profile, and quick turnaround reviews for the Secretary, Congress, and other senior Department officials. Recent examples include reviews of the following:

- Allegations of cover up of illegal activities and security concerns at the Los Alamos National Laboratory.
- Allegations that two FERC members, including the Chairman, engaged in improper communications regarding multi-billion dollar contract cases relating to the Western energy crisis of 2000-2001.

## **Benefits**

The OIG identifies financial recoveries and potential cost savings that exceed its annual appropriation. OIG reviews consistently result in Departmental management agreeing to improve program performance. Examples of important outcomes of recent reviews are outlined below:

- By using the direct disposal method instead of the solvent extraction method to treat the Savannah River Site's salt waste, the Department could save about \$500 million.

- The Department, based on the results of the OIG recommended cost analysis, found that it could save \$51 million by maintaining calutrons in a standby but operable condition until they were no longer needed.
- Better utilization of existing treatment facilities could result in the avoidance of \$45 million in unnecessary costs over the next four years.
- Adoption of two alternative process changes in relation to the conservation of beryllium metal could save NNSA as much as \$42 million.
- By considering other, more efficient alternatives to beryllium oxide operations at the Y-12 National Security Complex, the Department could save about \$200 million.
- The Department agreed to perform an analysis to determine if it received equitable price adjustments due to contract scope changes in the Advanced Mixed Waste Treatment Facility contract. These price adjustments could potentially save at least \$90 million.



# Program Direction

## Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Los Alamos Site Office					
Los Alamos National Laboratory					
Salaries and Benefits.....	617	618	672	54	8.7%
Travel.....	28	34	35	1	2.9%
Support Services.....	173	183	204	21	11.5%
Other Related Expenses.....	42	34	42	8	23.5%
Total, Los Alamos Site Office.....	860	869	953	84	9.7%
Total, Full Time Equivalents.....	6	6	6	0	0.0%
NNSA Service Center					
Salaries and Benefits.....	2,984	2,988	3,248	260	8.7%
Travel.....	136	162	171	9	5.6%
Support Services.....	838	886	987	101	11.4%
Other Related Expenses.....	201	165	204	39	23.6%
Total, NNSA Service Center.....	4,159	4,201	4,610	409	9.7%
Total, Full Time Equivalents.....	29	29	29	0	0.0%
Chicago Operations Office					
Argonne National Laboratory					
Salaries and Benefits.....	617	618	672	54	8.7%
Travel.....	28	34	35	1	2.9%
Support Services.....	173	183	204	21	11.5%
Other Related Expenses.....	42	34	42	8	23.5%
Total, Argonne National Laboratory.....	860	869	953	84	9.7%
Full Time Equivalents.....	6	6	6	0	0.0%
Princeton Plasma Physics Laboratory					
Salaries and Benefits.....	514	515	560	45	8.7%
Travel.....	23	28	29	1	3.6%
Support Services.....	144	153	170	17	11.1%
Other Related Expenses.....	35	29	35	6	20.7%
Total, Princeton Plasma Physics Laboratory	716	725	794	69	9.5%
Full Time Equivalents.....	5	5	5	0	0.0%
Total, Chicago Operations Office.....	1,576	1,594	1,747	153	9.6%
Total, Full Time Equivalents.....	11	11	11	0	0.0%
Western Area Power Administration					
Western Area Power Administration					
Salaries and Benefits.....	1,029	1,030	1,120	90	8.7%
Travel.....	47	56	59	3	5.4%
Support Services.....	289	305	340	35	11.5%
Other Related Expenses.....	69	57	70	13	22.8%
Total, Western Area Power Administration.....	1,434	1,448	1,589	141	9.7%
Full Time Equivalents.....	10	10	10	0	0.0%

(dollars in thousands/whole FTEs)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Idaho Operations Office					
Idaho Natl. Engineering & Environmental Lab					
Salaries and Benefits.....	514	515	560	45	8.7%
Travel.....	23	28	29	1	3.6%
Support Services.....	144	153	170	17	11.1%
Other Related Expenses.....	35	29	35	6	20.7%
Total, Idaho Operations Office.....	716	725	794	69	9.5%
Full Time Equivalents.....	5	5	5	0	0.0%
Pittsburgh Naval Reactors Office					
Pittsburgh Naval Reactors Office					
Salaries and Benefits.....	1,132	1,133	1,232	99	8.7%
Travel.....	52	62	65	3	4.8%
Support Services.....	318	336	374	38	11.3%
Other Related Expenses.....	76	63	77	14	22.2%
Total, Pittsburgh Naval Reactors Office.....	1,578	1,594	1,748	154	9.7%
Full Time Equivalents.....	11	11	11	0	0.0%
Nevada Site Office					
Las Vegas					
Salaries and Benefits.....	823	824	896	72	8.7%
Travel.....	38	45	47	2	4.4%
Support Services.....	231	244	272	28	11.5%
Other Related Expenses.....	56	46	56	10	21.7%
Total, Nevada Site Office.....	1,148	1,159	1,271	112	9.7%
Full Time Equivalents.....	8	8	8	0	0.0%
Livermore Site Office					
Lawrence Livermore National Laboratory					
Salaries and Benefits.....	1,441	1,442	1,568	126	8.7%
Travel.....	66	78	82	4	5.1%
Support Services.....	405	428	476	48	11.2%
Other Related Expenses.....	97	80	98	18	22.5%
Total, Livermore Site Office.....	2,009	2,028	2,224	196	9.7%
Full Time Equivalents.....	14	14	14	0	0.0%
Oak Ridge Operations Office					
Oak Ridge National Laboratory					
Salaries and Benefits.....	3,293	3,297	3,584	287	8.7%
Travel.....	150	179	188	9	5.0%
Support Services.....	925	977	1,089	112	11.5%
Other Related Expenses.....	222	183	225	42	23.0%
Total, Oak Ridge Operations Office.....	4,590	4,636	5,086	450	9.7%
Full Time Equivalents.....	32	32	32	0	0.0%

(dollars in thousands/whole FTEs)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Richland Operations Office					
Richland					
Salaries and Benefits.....	1,235	1,236	1,344	108	8.7%
Travel.....	56	67	71	4	6.0%
Support Services.....	347	367	408	41	11.2%
Other Related Expenses.....	83	68	84	16	23.5%
Total, Richland Operations Office.....	1,721	1,738	1,907	169	9.7%
Full Time Equivalents.....	12	12	12	0	0.0%
Savannah River Operations Office					
Savannah River Operations Office					
Salaries and Benefits.....	1,441	1,442	1,568	126	8.7%
Travel.....	66	78	82	4	5.1%
Support Services.....	405	428	476	48	11.2%
Other Related Expenses.....	97	80	98	18	22.5%
Total, Savannah River Operations Office.....	2,009	2,028	2,224	196	9.7%
Full Time Equivalents.....	14	14	14	0	0.0%
Washington Headquarters					
Salaries and Benefits.....	3,807	3,917	3,918	1	0.0%
Travel.....	175	213	207	-6	-2.8%
Support Services.....	1,071	1,159	1,194	35	3.0%
Other Related Expenses.....	560	601	639	38	6.3%
Total, Washington Headquarters.....	5,613	5,890	5,958	68	1.2%
Full Time Equivalents.....	37	38	38	0	0.0%
Field Services Activities in Washington, D.C.					
Salaries and Benefits.....	3,087	3,400	3,360	-40	-1.2%
Travel.....	141	185	177	-8	-4.3%
Support Services.....	867	1,008	1,021	13	1.3%
Other Related Expenses.....	457	524	545	21	4.0%
Total, Field Services Activities.....	4,552	5,117	5,103	-14	-0.3%
Full Time Equivalents.....	30	33	33	0	0.0%
D.C. Field Sites					
Salaries and Benefits.....	3,704	4,121	4,144	23	0.6%
Travel.....	169	224	218	-6	-2.7%
Support Services.....	1,040	1,222	1,259	37	3.0%
Other Related Expenses.....	548	635	673	38	6.0%
Total, D.C. Field Sites.....	5,461	6,202	6,294	92	1.5%
Full Time Equivalents.....	36	40	40	0	0.0%
Total Program Direction					
Salaries and Benefits.....	26,238	27,096	28,446	1,350	5.0%
Travel.....	1,198	1,473	1,495	22	1.5%
Support Services.....	7,370	8,032	8,644	612	7.6%
Other Related Expenses.....	2,620	2,628	2,923	295	11.2%
Total, Program Direction.....	37,426	39,229	41,508	2,279	5.8%
Full Time Equivalents.....	255	263	263	0	0.0%

## **Mission**

The core mission of the OIG is to promote the effective, efficient, and economical operation of the Department, including NNSA and FERC, through audits, investigations, inspections, and other reviews.

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department but with additional effort from other offices that support the programs in carrying out the mission. The OIG performs a critical function necessary for success in achieving DOE's goals by providing independent audits, investigations, and other reviews of DOE's programs. These audits, reviews and investigations identify opportunities for cost savings and operational efficiencies and also return hard dollars to DOE and the U.S. Treasury as a result of civil and criminal prosecutions.

## **Major Functions**

The OIG performs a number of functions mandated by statutes, Executive orders, and regulations not included in the IG Act. Examples of such mandatory reviews include:

- Annual audit of Department-wide and designated component financial statements to comply with the Government Management Reform Act (GMRA) of 1994. This effort currently requires approximately one-fourth of the OIG's resources.
- Annual audits of statements of costs incurred and claimed by management and operating contractors, as required by Department orders.
- Review of Department information security systems, required by the Federal Information Systems Management Act (FISMA) of 2002.
- Continuous review of the Department's implementation of the Government Performance and Results Act (GPRA) of 1993.
- Reports to the Intelligence Oversight Board as required by Executive Order 12863, "President's Foreign Intelligence Advisory Board," at least quarterly and "as necessary or appropriate." This includes reviews to ensure the Department's intelligence activities are conducted in accordance with existing requirements of Executive Order 12333, "United States Intelligence Activities."
- Annual review of Department policies and procedures with respect to the export of sensitive U.S. military technologies and information to countries and entities of concern, required by the National Defense Authorization Act for FY 2000.

The OIG also:

- Performs independent assessments of the Department's programs to improve performance and accountability and facilitate Department officials initiating corrective action.
- Provides assurance that the annual financial statements fairly represent the financial position of the Department.
- Investigates allegations of fraud, waste, and abuse in programs and operations of the Department.
- Receives and evaluates complaints via the OIG Hotline from various sources, including the public, regarding possible waste, fraud, and abuse in Department programs and activities.
- Provides investigative support to the Department of Justice (DOJ) on Qui Tam False Claims Act investigations.

- Contributes to multi-agency task force investigations, which are particularly effective and efficient due to the leveraging of resources and expertise among several agencies.

Program Direction provides the Federal staffing resources and associated costs required so that the OIG can meet the needs of the Department and continue to provide the most timely performance information and recommendations possible.

## **Accomplishments**

The OIG works closely with other agencies in the execution of its investigative authority. Nearly 40 percent of the approximately 240 current OIG investigations are joint agency operations. These investigations generally focus on significant criminal enterprises that affect multiple agencies, including the Department. Recent OIG criminal and civil investigations have resulted in the following:

- The pursuit of 22 Qui Tam lawsuits involving alleged fraud against the Government in the amount of approximately \$288 million (as of December 2003).
- Recoveries, fines, and settlements exceeding \$23 million for FY 2002 and FY 2003 combined.
- Civil judgments in the amount of \$3.9 million awarded against two former Department subcontractors for filing false coal testing invoices and reports.
- An unprecedented joint investigation between the OIG and New Scotland Yard's Computer Crime Unit resulted in the arrest of a United Kingdom citizen. The investigation involved allegations of unauthorized access by a suspected hacker in 17 Government-owned computers at a Department Laboratory.
- A contractor procurement official was sentenced for accepting bribes from a Department subcontractor over a two-year period.

As a result of OIG reviews, the Department is implementing changes to improve program performance. For example, the Department:

- Initiated a corporate approach to timely, coordinated and comprehensive actions to address identified management challenges.
- Modified the Fluor Fernald, Inc. (Fernald) contract to require closure in 2006, changed the contractor fee structure, and lowered the total project cost by more than \$300 million after the OIG reported that the Department could incur about \$152 million in additional infrastructure support costs if closure is completed three years later than planned.
- Conducted an inventory at Oak Ridge National Laboratory (ORNL) and identified more than 20 pounds of excess explosives for disposal. Also, ORNL revised its procedures to reflect appropriate authorization and tracking for any method of receiving or bringing explosives onsite.
- Improved identification and reporting of security incidents at Lawrence Livermore National Laboratory.
- Enhanced controls over the inventory and accountability of classified laptop computers at Los Alamos National Laboratory.
- Improved inter-program office coordination on development of an international agreement to study sabotage involving civil nuclear/radioactive material in storage and transport.

The OIG prioritizes its resources to accomplish the issues and concerns most critical to Congress, the Administration, and the Department. The requested level of \$41.5 million for FY 2005 will allow the OIG to focus on:

- Tasks associated with the consolidated financial statement audit. A number of external factors including additional tasking and accelerated reporting dates of the Department's consolidated financial statements have led to significant cost increases to the audit contract. The timely completion of the Departmental financial statement audit reflects approximately 18 percent of the OIG's FY 2005 estimated budget expenses.
- Safeguards and security. Areas of particular vulnerability include cyber security, controls over classified and nuclear weapons-related information, and security of networking infrastructure.
- Competition and performance of major department contracts which constitute 92 percent of the Department's budget, totaling about \$19.5 billion annually.
- The Stockpile Stewardship Program.
- The Evolving Environmental Program – Accelerated Site Closures.
- The Department's IT activities, worth more than \$2.5 billion annually.
- Investigations of fraud schemes involving Department financial assistance programs which include grants and cooperative research and development agreements. The Department currently has in excess of 6,200 active financial assistance awards valued at nearly \$18 billion.
- Critical and emerging homeland security issues to ensure that the Department has adequate protective measures in place.
- Government-issued purchase cards abuse or fraud.
- Annual evaluations of Agency intelligence information systems as defined by Federal Information Systems Management Act (FISMA) of 2002.
- Investigations of environmental crimes. This is particularly critical in light of the Department's need to address the environmental legacy of the Cold War era.
- Examination of FERC activities, including reviews of natural gas pipeline construction, hydroelectric power projects, as well as upgrading the Nation's power grid.

## Detailed Justification

(dollars in thousands)

	FY 2003	FY 2004	FY 2005
<b>Salaries and Benefits.....</b>	<b>26,238</b>	<b>27,096</b>	<b>28,446</b>
<p>The OIG employs auditors, investigators, and inspectors to detect and prevent fraud, abuse, and violations of law and to promote economy, efficiency, and effectiveness in the operations of the Department, including NNSA. Additionally, this line item includes costs associated with Permanent Change of Station moves to relocate staff to sites with critical needs, and the transit subsidy program. Also, consistent with the Inspector General community, in order to retain highly qualified employees, it is the OIG's intent to pay for certifications and credentials and offer student loan repayments.</p>			
<b>Travel.....</b>	<b>1,198</b>	<b>1,473</b>	<b>1,495</b>
<p>Extensive travel is required to make first-hand observations of conditions and review original records at DOE sites; conduct interviews; follow up on leads; meet with subjects, witnesses, and U.S. Attorneys; appear in court; etc.</p>			
<b>Support Services.....</b>	<b>7,370</b>	<b>8,032</b>	<b>8,644</b>
<p>Support services are required for contractor expertise, needed primarily for financial statement audits required by the GMRA, and for technical expertise (e.g., actuaries, petroleum engineers, and information technology support personnel) required, for example, by the Federal Information Security Management Act (FISMA) of 2002, which could not be maintained cost-effectively in-house. A number of external factors including additional tasking and accelerated reporting dates of the Department's consolidated financial statements have led to significant cost increases to the audit contract over the past few years. eXCITE/Other IT Support funding is required for Phase I and II of the Department's eXCITE computer network and services - Common Operating Environment and all necessary tasks and acquisitions.</p>			
<b>Other Related Expenses.....</b>	<b>2,620</b>	<b>2,628</b>	<b>2,923</b>
<p>Funding is required for the OIG's share of the DOE Working Capital Fund (WCF) and basic support needs such as IT hardware/software maintenance, rent and utilities, and employee relocation expenses. Also supports replacement purchases of computer hardware and software which varies by cycle. Training is critical for OIG staff to maintain required levels of proficiency and comply with the IG Act by meeting GAO training requirements. Training is also needed to support President's Council on Integrity and Efficiency standards, Hotline requirements, review and investigation of technological and computer systems and crimes, and succession planning requirements. This line item also includes funds for miscellaneous supplies, materials, publications, and other services.</p>			
<b>Total, Program Direction.....</b>	<b>37,426</b>	<b>39,229</b>	<b>41,508</b>

## Explanation of Funding Changes

FY 2005 vs. FY 2004 (\$000)
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**Salaries and Benefits**

Salaries/Benefits increase is due to an increased benefit rate, the proposed civilian pay raise, as well as to accommodate 263 FTEs..... +1,350

**Travel**

Travel increase, though nominal, is required for the OIG to effectively perform its reviews and investigations..... +22

**Support Services**

Support Services increase is primarily due to anticipated cost increase associated with the Financial Statement Audit contract. Also, this is offset by a one-time audit review expense of the Business Management Information System that occurs only in FY 2004..... +612

**Other Related Expenses**

Other Related Expenses increase is due to IT computer replacement purchase requirements as well as anticipated A-76/Outsourcing fees. Working Capital Fund estimate remains generally the same..... +295

**Total Funding Change, Program Direction** ..... +2,279

## Support Services by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Management Support Services					
Consulting Services.....	6,603	7,496 <sup>a</sup>	8,081	585	7.8%
IT Services.....	767	536	563	27	5.0%
Administrative Support Services.....	0	0	0	0	0.0%
<b>Total, Support Services.....</b>	<b>7,370</b>	<b>8,032</b>	<b>8,644</b>	<b>612</b>	<b>7.6%</b>

## Other Related Expenses by Category

(dollars in thousands)

	FY 2003	FY 2004	FY 2005	\$ Change	% Change
Working Capital Fund.....	1,770	1,500	1,556	56	3.7%
Training.....	206	381	278	-103	-27.0%
Other <sup>b</sup> .....	644	747	1,089	342	45.8%
<b>Total, Other Related Expenses.....</b>	<b>2,620</b>	<b>2,628</b>	<b>2,923</b>	<b>295</b>	<b>11.2%</b>

<sup>a</sup> Includes a one-time BMIS review fee that occurs only in FY 2004.

<sup>b</sup> Includes IT hardware and software, contract close-out costs, employee relocations, office supplies, etc.

