

# memorandum

DATE: May 22, 2007  
REPLY TO: IG-1  
ATTN OF:  
SUBJECT: Management Control System  
TO: Heads of Departmental Elements

Each Departmental Element is required to report annually on the results of its management control reviews and financial systems evaluations. These reports, which take the form of assurance memoranda to the Secretary, provide a basis for the Department's consolidated report on management controls that is now included in the annual Performance and Accountability Report.

As part of this process, the Office of Inspector General (OIG) provides Departmental Elements with a list of Inspector General reports for their use and consideration in preparing the annual assurance memoranda to the Secretary. Our purpose is to identify concerns that have been raised regarding management controls, with either direct or indirect implications for the respective Headquarters and field elements. Attached is a list of Inspector General reports covering the period May 25, 2006, to May 18, 2007. Although these reports, and the reviews they represent, cover a broad spectrum of Department of Energy operations, you will find that several key management challenges have been emphasized.

The OIG identified the seven most significant management challenges facing the Department, which are listed below. The Department has taken significant positive steps to address these challenges; however, we concluded in the latest Inspector General Semiannual Report to Congress that these challenges continue as the most serious risks facing the Department in 2007.

## Mission-Related Challenges

Energy Supply  
Environmental Cleanup  
Safeguards and Security  
Stockpile Stewardship

## Internal Control Challenges

Contract Management  
Cyber Security  
Project Management

Four challenges are associated with mission-related activities, and three challenges are associated with weaknesses in the Department's internal control structure. Specifically, mission-related challenges represent risks that are inherent to the Department's complex operations and are likely to persist well into the future, in part, because they involve factors that are outside of the Department's direct control. Internal control challenges relate to weaknesses in the Department's management processes that, if not addressed, may impede the Department's ability to carry out its program responsibilities and to ensure the integrity of its operations. In addition, in our December 13, 2006, report on "Management Challenges at the Department of Energy" we identified a "watch list" of three additional emerging issues that warrant continued attention by Department managers. These are Financial Management and Reporting, Worker and Community Safety, and Human Capital Management.

It is our hope that this information will be helpful as you develop your assurance memoranda to the Secretary. Should you have any questions regarding these reports, please do not hesitate to contact me.



Gregory H. Friedman  
Inspector General

Attachment

cc: Office of Internal Review, CF-1.2

Office of Inspector General Reports Issued  
May 25, 2006 to May 18, 2007

IG-0729	Audit Report on "W76 Life Extension Project"	May 25, 2006
IG-0730	Audit Report on "The Department's Management of Non-Nuclear High Explosives"	June 26, 2006
IG-0731	Inspection Report on "Review of the Protective Force Radio Communication System at Sandia National Laboratory-New Mexico (U)"	June 27, 2006
IG-0732	Inspection Report on "The Human Reliability Program at Lawrence Livermore National Laboratory"	June 30, 2006
IG-0733	Special Report on "Follow-Up Review of the Department of Energy's Response to Hurricanes Katrina and Rita"	July 12, 2006
IG-0734	Inspection Report on "Internal Controls for Excessing and Surplusing Unclassified Computers at Los Alamos National Laboratory"	July 26, 2006
IG-0735	Inspection Report on "Destruction of Classified Hard Drives at Sandia National Laboratory-New Mexico"	August 3, 2006
IG-0736	Audit Report on "The Office of Civilian Radioactive Waste Management's Corrective Action Program"	August 16, 2006
IG-0737	Audit Report on "Audit Report Beryllium Controls at Oak Ridge National Laboratory"	September 6, 2006
IG-0738	Audit Report on "The Department's Unclassified Cyber Security Program 2006"	September 18, 2006

IG-0739	Audit Report on "Performance-Based Contract Incentives at the Hanford Site"	September 20, 2006
IG-0740	Audit Report on "The National Nuclear Security Administration's B61 Spin Rocket Motor Project"	September 26, 2006
IG-0741	Inspection Report on "Concerns With Security Barriers at the Y-12 National Security Complex"	October 10, 2006
IG-0742	Inspection Report on "Protective Force Property Management at Lawrence Livermore National Laboratory"	October 11, 2006
IG-0743	Audit Report on "Remediation of the Waste Burial Grounds at the Hanford Site"	October 18, 2006
IG-0744	Audit Report on "Follow-Up Audit on Stockpile Surveillance Testing"	October 30, 2006
IG-0745	Inspection Report on "Material Control and Accountability at Lawrence Livermore National Laboratory"	November 15, 2006
IG-0746	Inspection Report on "Work Packages for Site Support Services at Los Alamos National Laboratory"	November 29, 2006
IG-0747	Audit Report on "The Department of Energy's Use of the Strategic Petroleum Reserve in Response to Hurricanes Katrina and Rita"	December 5, 2006
IG-0748	Special Report on "Management Challenges at the Department of Energy"	December 13, 2006
IG-0749	Audit Report on "The Department's Energy, Science, and Environment Sites' Implementation of the Design Basis Threat"	December 14, 2006

IG-0750	Audit Report on "The Federal Energy Regulatory Commission's Program to Oversee Hydroelectric Dams"	December 18, 2006
IG-0751	Audit Report on "Follow-up of Depleted Uranium Hexafluoride Conversion"	December 26, 2006
IG-0752	Audit Report on "Certification and Accreditation of Unclassified Information Systems"	January 3, 2007
IG-0753	Audit Report on "Recovery of Costs for the Proprietary Use of the Advanced Photon Source"	January 11, 2007
IG-0754	Inspection Report on "Sandia National Laboratory-California Procurement Card Program"	January 18, 2007
IG-0755	Inspection Report on "Review of the Department of Energy's Canine Program at Selected Sites"	January 23, 2007
IG-0756	Inspection Report on "Chemical Safety Protocols at the Pantex Plant"	February 2, 2007
IG-0757	Inspection Report on "Excessing of Computers Used for Unclassified Controlled Information at the Idaho National Laboratory"	February 16, 2007
IG-0758	Audit Report on "The National Nuclear Security Administration's Implementation of the Federal Information Security Management Act"	February 22, 2007
IG-0759	Inspection Report on "Excessing of Computers Used for Unclassified Controlled Information at Lawrence Livermore National Laboratory"	March 5, 2007
IG-0760	Audit Report on "The Department's Wildland Fire Planning and Preparation Efforts"	March 6, 2007

IG-0761	Audit Report on "The Department of Energy's Management of Contractor Intergovernmental Personnel and Change of Station Assignments"	March 26, 2007
IG-0762	Inspection Report on "Internal Controls Over Computer Property at the Department's Counterintelligence Directorate"	March 28, 2007
IG-0763	Audit Report on "The Department's Efforts to Implement Common Information Technology Services at Headquarters"	March 30, 2007
IG-0764	Audit Report on "Quality Assurance Standards for the Integrated Control Network at the Hanford Site's Waste Treatment Plant"	May 4, 2007
IG-0765	Audit Report on "Voluntary Separation Program at the Idaho Cleanup Project"	May 18, 2007
OAS-M-06-06	Audit Report on "Management Controls Over Cesium and Strontium Capsule Disposition at the Hanford Site"	August 4, 2006
OAS-M-06-07	Audit Report on "Management Controls over Performance Fees in the Idaho National Laboratory Contract"	August 24, 2006
OAS-M-06-08	Audit Report on "Management Controls over Small Business Opportunities at Lawrence Livermore National Laboratory"	August 24, 2006
OAS-M-06-09	Audit Report on "Follow-up on the Management of Plutonium-239 Sealed Sources Recovery Activities"	September 12, 2006
OAS-M-06-10	Audit Report on "Management Controls over the Federal Energy Regulatory Commission's Unclassified Cyber Security Program-2006"	September 25, 2006

OAS-M-07-01	Audit Report on "Management Controls over the Department of Energy's Superconductivity Partnerships"	January 18, 2007
OAS-M-07-02	Audit Report on "Management Controls over the National Nuclear Security Administration's Ability to Maintain Capability of the TA-18 Mission"	February 20, 2007
OAS-M-07-03	Audit Report on "Management Controls over Selected Facility Contractor Travel Expenses"	April 26, 2007
INS-L-06-07	Inspection Letter Report on "Stanford Linear Accelerator Center Employee Safety Training"	June 8, 2006
INS-L-06-08	Inspection Letter Report on "Access Controls for Foreign Nationals at the Lawrence Berkeley National Laboratory"	August 28, 2006
INS-L-07-01	Inspection Letter Report on "Drug Testing for Security Positions at DOE's Portsmouth and Paducah Sites"	October 18, 2006
INS-L-07-02	Inspection Letter Report on "Concerns with the Storage and Transportation of Depleted Uranium Hexafluoride Cylinders at the East Tennessee Technology Park "	October 20, 2006
INS-L-07-03	Inspection Letter Report on "Alleged Waste of Funds Involving Excess Property at Rocky Flats"	November 15, 2006
INS-L-07-04	Inspection Letter Report on "Quality Assurance and Inventory Control Issues at Los Alamos National Laboratory"	January 8, 2007
INS-L-07-05	Inspection Letter Report on "Alleged Loss or Theft of Personally Identifiable Information at Pantex"	February 2, 2007

INS-L-07-06	Inspection Letter Report on "Lawrence Livermore National Laboratory Protective Force Issues"	February 16, 2007
OAS-L-06-15	Audit Report on "Storage Capacity of the High Level Waste Tanks at the Savannah River Site"	June 15, 2006
OAS-L-06-16	Audit Report on "The Department of Energy's Interaction with the National Coal Council"	August 4, 2006
OAS-L-06-17	Audit Report on "Molten Salt Reactor Experiment Cleanup Project"	August 16, 2006
OAS-L-06-18	Audit Report on "Performance Based Incentives for BWXT Y-12, LLC"	August 21, 2006
OAS-L-06-19	Audit Report on "The Department's Hydrogen Projects"	September 7, 2006
OAS-L-06-20	Special Report on "The Department's Security Over Personally Identifiable Information"	September 20, 2006
OAS-L-07-01	Audit Report on "Bonneville Power Administration's Conservation and Renewables Discount and Conservation Rate Credit Programs"	October 12, 2006
OAS-L-07-02	Audit Report on "Emergency Response Training at Lawrence Livermore National Laboratory"	October 18, 2006
OAS-L-07-03	Audit Report on "Department of Energy's Carbon Sequestration Program"	November 28, 2006
OAS-L-07-04	"Inquiry to the Hotline Complaint on Possible Design Mistakes and Cost Overruns of the Linac Coherent Light Source Project at Stanford Linear Accelerator Center"	December 18, 2006

OAS-L-07-05	Audit Report on "The Department of Energy's Implementation of Revised OMB Circular No. A-123"	January 26, 2007
OAS-L-07-06	Audit Report on "Office of Science's Implementation of the Federal Information Security Management Act"	January 31, 2007
OAS-L-07-07	Audit Report on "Device Assembly Facility Utilization"	February 21, 2007
OAS-L-07-08	Audit Report on "Design of the Engineered Barrier System at the Yucca Mountain Site"	February 27, 2007
OAS-L-07-09	Audit Report on "Federal Manager's Financial Integrity Act"	March 13, 2007
OAS-L-07-10	Audit Report on "The Department of Energy's Community and Regulatory Support Funding at the Carlsbad Field Office"	April 11, 2007
OAS-L-07-11	Audit Report on "The Department of Energy's Community and Regulatory Support Funding at the Richland Operations Office"	April 11, 2007
OAS-C-07-01	Agreed-Upon Procedures for Princeton University's Property Management for National Aeronautics and Space Administration Grant No. NNC04GA60G	October 19, 2006
OAS-V-06-11	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory under Department of Energy Contract No. W-7405-ENG-36	July 21, 2006

OAS-V-06-12	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Nevada Corporation under Department of Energy Contract No. DE-AC08-96NV11718	September 14, 2006
OAS-V-06-13	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Jacobs Company, LLC under Department of Energy Contract Nos. DE-AC05-98OR22700 and DE-AC05-03OR22980	September 26, 2006
OAS-V-06-14	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to UT-Battelle, LLC under Department of Energy Contract No. DE-AC05-00OR22725	September 26, 2006
OAS-V-06-15	Assessment of Changes to Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to DynMcDermott Petroleum Operations Company Under Department of Energy Contract Nos. DE-AC96-093P018000 and DE-AC96-03P092207	September 26, 2006
OAS-V-06-16	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Princeton University's Princeton Plasma Physics Laboratory under Department of Energy Contract No. DC-AC02-76CH03073	September 27, 2006
OAS-V-07-01	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Y-12, LLC under Department of Energy Contract No. DE-AC05-00OR22800	October 20, 2006

OAS-V-07-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle Energy Alliance, LLC under Department of Energy Contract No. DE-AC07-05ID14517	October 25, 2006
OAS-V-07-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Pantex, LLC under Department of Energy Contract No. DE-AC04-00AL66620	December 7, 2006
OAS-V-07-04	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Honeywell Federal Manufacturing & Technologies, LLC under Department of Energy Contract No. DE-AC04-01AL66850	January 4, 2007
OAS-V-07-05	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation under Department of Energy Contract No. DE-AC04-94AL85000	January 16, 2007
OAS-V-07-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Berkeley National Laboratory under Department of Energy Contract No. DE-AC03-76SF00098	February 21, 2007
OAS-V-07-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory under Department of Energy Contract No. W-31-109-ENG-38	March 6, 2007

OAS-V-07-08	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Washington Savannah River Company, LLC under Department of Energy Contract No. DE-AC09-96SR18500	April 10, 2007
OAS-FS-07-01	Report on "Federal Energy Regulatory Commission's Fiscal Year 2006 Financial Statement Audit"	November 7, 2006
OAS-FS-07-02	Report on "The Department of Energy's Consolidated Financial Statements (FY06)"	November 13, 2006
OAS-FS-07-03	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2006	December 21, 2006
OAS-FS-07-04	Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2006	January 4, 2007
OAS-FS/CA-06-04	Review of Actions to Correct Financial Control and Reporting Weaknesses	June 26, 2006
L-07-01	Special Report on "Congressional Earmarks within Department of Energy Programs"	April 24, 2007
Special Inquiry Memorandum	Memorandum to the Secretary "Summary: Special Inquiry Report Relating to the Department of Energy's Response to a Compromise of Personnel Data (OIG Case No. I06IG001)"	July 19, 2006
Special Inquiry Memorandum	Memorandum to the Secretary "Selected Controls Over Classified Information at the Los Alamos National Laboratory"	November 27, 2006