

**U.S. Department of Energy  
Oak Ridge Office**



**Manager's FY 2006  
Assurance Memorandum**

**August 2006**

United States Government

Department of Energy

Oak Ridge Operations Office

# memorandum

DATE: August 17, 2006

REPLY TO: FM-733:Johnson  
ATTN OF:

SUBJECT: **MANAGEMENT CONTROL AND FINANCIAL MANAGEMENT SYSTEM  
REVIEW**

TO: Dr. Raymond L. Orbach, Under Secretary for Science, SC-1, FORS

In accordance with the Federal Managers' Financial Integrity Act, we have completed a summary management review of the management controls for the Oak Ridge Office (ORO). The review was performed in conformance with Departmental guidelines and included a review of whether the management controls were in compliance with underlying management principles which incorporate the Government Accountability Office Standards for Internal Controls in the Federal Government. The review included consideration of the results of audit reports, internal management reviews, computer security reviews, assurances from the management and operating/management and integration contractors under my cognizance, and all other known information. In addition, our review considered the areas of environmental management, nuclear safety management, non-nuclear safety management, safeguards and security, technology transfer, and reimbursable work. The review results indicate there is reasonable assurance that management controls were working effectively and program and administrative functions were performed in an economical and efficient manner consistent with applicable laws; property, funds, and other resources were safeguarded against waste, loss, or unauthorized use; obligations and costs were proper; and accountability for assets was maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for errors or irregularities to go undetected.

An evaluation of the financial management systems for ORO has also been conducted in accordance with Department of Energy (DOE) guidelines. The results of the evaluation indicate that the systems generally conform to the principles and standards developed by the Comptroller General as implemented by the Office of Management and Budget and with the requirements issued by the Joint Financial Management Improvement Program. In addition, the financial management systems of site/facility management contractors under my cognizance are in conformance with DOE accounting policies and procedures.

The above reviews disclosed four reportable problems:

- ORO must obtain approval of a baseline change proposal to resolve the previously reported funding and scope change issues with the environmental restoration closeout contract. (Attachment A, page 1)

- ORO has worked with the Office of the Assistant Secretary for Environmental Management (EM), the National Nuclear Security Administration, and the Office of Science to identify a path forward in resolving the previously reported problems with surplus facilities at the Oak Ridge National Laboratory (ORNL) and the Y-12 National Security Complex. (Attachment A, page 2)
- Actions to address concerns raised by the Office of the Inspector General during a recent review of the movement of Beryllium contaminated equipment at ORNL must be completed. (Attachment A, page 4)
- Increased oversight of contractors is necessary to assure the Chronic Beryllium Disease Prevention Program is properly implemented. (Attachment A, page 6)

During the past year, the action plans for two previously reported problems have been completed, resolving the issues.

- Measures to prevent significant incidents from shipments on the Oak Ridge Reservation have been completed. (Attachment A, page 8)
- The Oak Ridge Financial Service Center (ORFSC) has achieved the 95 percent prompt payment standard required by the Financial Services Letter of Obligation. (Attachment A, page 10)

The reviews also disclosed the following other significant issues facing the organization. Correction of these issues, many of which involve unpredictable or unfunded costs, is outside the scope of ORO responsibility or operational authority; therefore, no action plans addressing these issues are attached.

- Although, as reported in fiscal year (FY) 2005, the costs for payment of claims under the Energy Employees Occupational Illness Compensation Program Act of 2000 (EEOICPA) have been transferred to the Department of Labor (DOL), the Department continues to incur costs for document production in support of the DOL as well as the costs of receiving and processing claims resulting from the Worker Health Screening Program, which is separate from the EEOICPA. It appears that in FY 2007 the Assistant Secretary for Environment, Safety and Health will provide less funding than the estimated cost.
- A major risk reduction effort is underway at ORNL to consolidate nuclear facilities and to remove hazards, including excess nuclear materials, from the ORNL site. This effort requires repackaging/consolidation of materials at non-reactor nuclear facilities. The addition of \$5 million in the FY 2007 Senate Committee Appropriation Bill to address priority maintenance upgrades and re-capitalization needs provides much needed funding, but it will still be inadequate to make significant progress in addressing these issues.

A potential part of the Global Nuclear Energy Partnership program, expected to be initiated in FY 2007 – 2008, could provide significant funding and work benefiting ORNL nuclear facilities and programs.

- The bill introduced in the Tennessee legislature to create a “presumption of entitlement” to state workers compensation benefits for persons who receive benefits under EEOICPA failed to receive enough votes to move it out of committee. However, this issue remains a concern because the bill’s proponents are expected to continue pushing strongly for passage of this or a similar measure.
- Homeland Security Presidential Directive-12, which applies to all DOE employees; all cleared contractor employees; and all uncleared contractor employees servicing the DOE Headquarters (HQ) complex, mandates that Federal agencies issue Federal and contractor employees secure and reliable forms of identification for gaining access to Federally-controlled facilities and information systems. Although HQ-led discussions are occurring about the nature and quantity of equipment necessary for access control systems and badge production, the requirements for such equipment, and their associated costs, have not been defined. Nevertheless, requirements will eventually emerge and the resulting implementation will likely require significant Departmental resources, including funding for new means of access to DOE-controlled facilities and systems; upgrades to access control systems; and card readers for computer access.
- The Department’s 2005 Design Basis Threat (DBT) order defines adversary threat levels and capabilities, which the Department must be prepared to neutralize by the end of FY 2008. If the 2005 DBT applies to ORO’s only “Category I” facility (one possessing certain quantities of special nuclear materials), substantial resources will be needed for compliance.
- On November 7, 2005, as stated in the Conference Report on H.R. 2419, Energy and Water Development Appropriations Act, 2006, Congress directed the Department to terminate promptly the Medical Isotope Production and Building 3019 Complex Shutdown project. The responsibility for disposition of Uranium-233 was transferred to the EM program per DOE’s recommendation, and the conferees provided funds in the Defense Environmental Management appropriation for disposition of the material stored in Building 3019. Funding was provided in FY 2006 to allow for facility and equipment design to continue under the existing contract, but the Senate mark for FY 2007 has omitted funding. If funding is provided in FY 2007 at the level of the House mark (\$25 million), the project will be able to proceed with procurement of necessary equipment and removal of equipment and structures not required for dispositioning the inventory.
- The Department has made great progress in addressing the concerns resulting from the extensive changes in the DOE financial community. The Department’s monthly closing process has been functioning routinely, reconciliations of reimbursable work have been completed, ORFSC is able to submit quarterly Treasury Form 2108 certifications, and reconciliations with contractors’ accounting systems at the summary level are occurring on a monthly basis as are reconciliations between the Budget Execution and Reporting System and the Standard Accounting and Reporting System (STARS) and between the Purchase Order and General Ledger

modules in STARS. Department-wide challenges continue to exist related to U.S. Standard General Ledger accounting particularly as reflected in the numerous outstanding edits. Offices are awaiting receipt of the detailed integrated contractor reconciliations to assess the magnitude of differences. Accounts receivable backlogs continue to exist and extensive analysis of inter-entity activity is needed. Supplier clean-up work was suspended to address financial statement issues and must be addressed. In addition, we are reviewing the contractors' funds control systems due to the numerous changes such as the new accounting system, recompeted contracts, conversions of existing contracts, and changes in personnel.

- Funding for pensions and retiree medical benefits continues to be a liability for ORO with two of the three contractor pension plans being under funded. Contribution to the pension plans for the two contractors will average between \$3 and \$5 million in FY 2007, thus reducing program dollars. In addition, retiree medical expenses continue to rise at a rate far exceeding inflation.
- The anticipated loss of critical skills because of retirements continues to be a concern and risk to ORO meeting its mission. While this issue is being managed, supervisors and managers recognize that this remains a vulnerability if those retirement eligible employees leave en masse.
- The new protective force order contains significant new requirements which will necessitate additional funding. The extent and availability of this funding are still being analyzed, but it is believed that the needed funding will be significant.
- An additional issue, dealing with security, is discussed in a separate memorandum which is for Official Use Only.

Six of the issues reported last year with no action plan for correction and a seventh issue identified after last year's memo was submitted have now been resolved:

- We expect the Waste Isolation Pilot Plant to establish in the near future waste acceptance criteria for non-compacted remote-handled waste from the Melton Valley Transuranic Waste Processing Facility. The latest ORO budget request for treatment and disposal is consistent with not compacting the waste and with the expected date of approval of the waste acceptance criteria.
- Our concerns over local governments attempting to obtain funds from DOE in addition to the payments in lieu of taxes have abated. No new bills have been introduced to tax DOE or its contractors since this issue was last reported.
- ORO has addressed the issue of the safe shipment of radioactive/hazardous waste by fully staffing transportation operations and safety functions with qualified personnel responsible for assuring safe shipment of hazardous and radioactive materials. In addition, ORO has performed a surveillance of EM waste shipment operations to establish that in-place controls and conduct of operations ensure waste shipment packaging, labeling, loading, and transporting are implemented safely and compliantly and are appropriately documented. With the added emphasis on safe

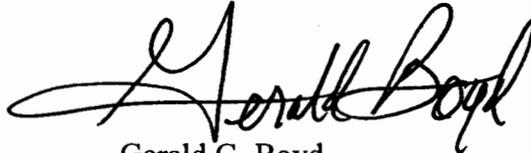
shipments, ORO is effectively managing the risk associated with this activity. Since 2004, there have been no Department of Transportation reportable incidents or DOE Occurrences for ORO transportation activities. ORO currently has the lowest transportation incident rate and is the highest volume shipper within EM. Although there is no way to assure that a transportation accident cannot occur, we believe that ORO's recent performance merits the closure of this concern.

- With regard to the application of Earned Value Management to the Cray Inc. supercomputers, the issue of protecting proprietary information associated with fixed-price awards did not materialize and is, therefore, no longer of concern.
- Cleanout of the Gas Centrifuge Enrichment Plant at the Portsmouth Gaseous Diffusion Plant is complete. In addition, the Department has facilitated the treatment of sufficient Technicium-99 (Tc-99) contaminated feed under the Tc-99 barter agreement so that by the end of August 2006 the liability for feed material required to be provided to the United States Enrichment Corporation will be satisfied. Termination of the barter agreement now would result in DOE's inventory of uranium feed material not meeting American Society for Testing and Materials specifications and remaining a Departmental liability and would also result in layoff of workers and added severance and safe shutdown costs; however, management of the contaminated feed and the clean-up activities is not an ORO responsibility. Accordingly, any remaining actions with the contaminated feed material will not be reported by ORO.
- ORO has eliminated exposure to potentially costly requests for equitable adjustments from BNG America, Inc. by entering into a settlement to resolve all remaining issues.
- Concern was raised, based largely on review of a 1946 K-25 operations report, that Model 30A uranium hexafluoride (UF<sub>6</sub>) storage cylinders at the East Tennessee Technology Park (ETTP) obtained from the Army Chemical Warfare Service (CWS) might contain residual phosgene gas and, therefore, present a health and safety hazard to workers during handling or processing. An exhaustive records search and cylinder inspection program were instituted to confirm that the cleaning and modification procedures necessary to place the CWS cylinders into UF<sub>6</sub> service had been followed, as well as their subsequent operational use for UF<sub>6</sub> storage, which would have eliminated any residual phosgene had it been present. As a result, all but one ETTP cylinder was eliminated as a credible concern. In January 2006, this cylinder was physically sampled to confirm the absence of phosgene. On this basis, ORO has concluded that the possible presence of phosgene in the ETTP Model 30A cylinder inventory does not merit reporting as a "significant other issue."

Attachment A of this report contains the plans and schedules for correcting reportable problems. Attachment B documents ORO senior management approval of these plans and schedules. Assurance memoranda for the Pacific Northwest Site Office and Thomas Jefferson Site Office are also attached. Although ORO has provided assistance

to these site offices in preparing the memoranda, they were prepared by the respective site office managers without direct ORO participation.

If you have any questions, please feel free to contact me at (865) 576-4444 or Judith M. Penry of my staff at (865) 576-4446.



Gerald G. Boyd  
Manager

Attachments:

As stated

cc w/attachments:

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**LIST OF ACRONUMS AND ABBREVIATIONS  
USED IN ATTACHMENT A**

ACP	Accelerated Cleanup Program
BCP	Baseline Change Proposal
BJC	Bechtel Jacobs Company LLC
CBDPP	Chronic Beryllium Disease Prevention Program
CD	Critical Decision
CF	Office of the Chief Financial Officer
CFR	Code of Federal Regulations
D&D	decontamination and decommissioning
DOE	Department of Energy
EFASC	Energy Finance and Accounting Service Center
EIR	External Independent Review
EM	Office of the Assistant Secretary for Environmental Management
FWENC	Foster Wheeler Environmental Corporation
FY	fiscal year
HQ	Headquarters
NA	National Nuclear Security Administration (symbol)
NE	Office of Nuclear Energy, Science, and Technology
NNSA	National Nuclear Security Administration (abbreviation)
OECM	Office of Engineering and Construction Management
OIG	Office of Inspector General
ORNL	Oak Ridge National Laboratory
ORO	Oak Ridge Office
ORO-EM	Oak Ridge Office of the Assistant Manager for Environmental Management
SC	Office of Science
STARS	Standard Accounting and Reporting System
TWPF	Transuranic Waste Processing Facility
TBD	to be determined
UF <sub>6</sub>	Uranium Hexafluoride
UT-Battelle	UT-Battelle, LLC
VIPERS	Vendor Invoice Payment Electronic Reporting System
Y-12	Y-12 National Security Complex

**FY 2006 ASSURANCE MEMORANDUM INDEX AND CROSSWALK  
(SEE ATTACHMENT A)**

**NEW ACTION PLANS FOR THE FY 2006 ASSURANCE MEMORANDUM**

<b>PROGRAM/ADMINISTRATIVE FUNCTION</b>	<b>TITLE</b>	<b>HQ. ORG.</b>	<b>OPEN/ CLOSED</b>	<b>PG. NO.</b>
Environmental Management	Closeout Baseline	EM	Open	1
Environmental Management	Surplus Facilities	EM, NA, SC	Open	2
Non-Nuclear Safety and Health Management	Handling of Beryllium Contaminated Equipment	SC	Open	4
Non-Nuclear Safety and Health Management	Oversight of Environmental Remediation Contractors' Beryllium Programs at ORNL	EM	Open	6

**ACTION PLANS SUBMITTED WITH THE FY 2005 ASSURANCE MEMORANDUM  
THAT WERE CLOSED IN FY 2006**

<b>PROGRAM/ADMINISTRATIVE FUNCTION</b>	<b>TITLE</b>	<b>HQ. ORG.</b>	<b>OPEN/ CLOSED</b>	<b>PG. NO.</b>
Non-Nuclear Safety and Health Management	Transportation Safety	EM, NA, NE, SC	Closed	8
Finance and Accounting	Start-Up Issues With New Accounting System—Payment Processing	CF	Closed	10

**ACTION PLAN**  
Oak Ridge Office  
July 31, 2006

TITLE: Closeout Baseline

ACTION PLAN: Reportable Problem X Reportable Nonconformance    

HQ Organization: EM Program and Admin Function: Environmental Management

**DESCRIPTION:** In FY 2003, DOE aggressively negotiated a closure contract related to the ACP for legacy waste treatment and disposition, environmental remediation, and decommissioning and demolition work in Oak Ridge with cost and schedule incentives. The cost target is very challenging and includes no contingency. To meet the contract cost target, the contractor identified \$390 million in cost savings from the previous baseline. Numerous scope and schedule changes have occurred relative to execution of the ACP. The project has also been under-funded by approximately \$45 million to date. These changes and the \$45 million in cumulative underfunding have been factored into the ACP baseline through a comprehensive BCP which extended completion of the ACP by one year to FY 2009 and added \$104 million in unfunded contingency to the existing project baseline.

**ASSESSMENT OF PROGRESS:** As part of the approval process for this comprehensive BCP, an EIR of the project baseline was conducted by Logistics Management Institute under contract with the Department's OECM. Two of the major findings of this EIR are that contingency is not sufficient and schedule contingency needs to be developed. ORO and BJC are in the process of refining project risk assessments to re-calculate cost and schedule contingency. With approval of a realistic baseline, this issue should be resolved by the end of this fiscal year.

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
1. Submit BCP to EM HQ documenting request for additional unfunded cost and schedule contingency.	9/2006	
2. Receive approval of BCP	9/2006	

**SUCCESS INDICATORS FOR CLOSED ACTION PLANS:**

Is plan closed?     Yes X No, not applicable.

**ORO RESPONSIBLE OFFICIAL(S):**

NAME: Stephen H. McCracken

TITLE: Assistant Manager for Environmental Management

**ACTION PLAN**  
Oak Ridge Office  
July 31, 2006

TITLE: Surplus Facilities

ACTION PLAN: Reportable Problem X Reportable Nonconformance   

HQ Organization: EM, NA, SC Program and Admin Function: Environmental Management

DESCRIPTION: ORNL and Y-12 have numerous facilities that are not required for future mission activities and contaminated media related to past operations that are not currently in the EM program. Currently, both SC and NNSA are doing limited demolition of non-contaminated or slightly contaminated excess facilities. The cost to the Department for cleanout and disposition of contaminated facilities not in the present EM scope could significantly impact program budgets, particularly if EM is not able to provide future assistance in their disposition. In the interim, vacated facilities occupy land needed for ORNL and Y-12 modernization and burden programs with the expense of maintenance and monitoring. Contaminated legacy materials and facilities occupy valuable space and present ongoing risks to the environment, worker safety and health, and mission accomplishment. The benefits of an integrated approach to dispositioning these vacated facilities and the contaminated soils located beneath some of the vacated facilities include:

- reducing the potential risk to the workforce and the public;
- accelerating D&D to significantly reduce overall EM costs and take advantage of a trained, experienced, and effective workforce and established management and control systems;
- reducing waste disposition cost and risk by using the onsite Comprehensive Environmental Response, Compensation, and Liability Act disposal facility instead of transporting contaminated demolition debris from Tennessee to licensed disposal facilities in western states;
- reducing the long-term mortgage expense of excess facilities;
- eliminating obstacles to modernization of the campus at ORNL, which will attract world-class scientists to focus on the Department's national defense and research and development missions;
- eliminating obstacles to modernization and footprint reduction at Y-12 to support national defense missions; and
- providing needed real estate for new ORNL and Y-12 facilities and future missions.

This approach will affect EM, SC, and NNSA.

ASSESSMENT OF PROGRESS: ORO has proposed the integration of the modernization programs with a comprehensive clean-up of ORNL and Y-12, which would speed the reduction of public and worker risk. This proposed approach has been

titled the Integrated Facility Disposition Project. A Mission Need Statement (CD-0 document) has been prepared by ORO-EM, in concert with ORNL and Y-12. A draft of this document has been reviewed by EM, and had a reasonableness review performed by a team commissioned by the OECM. The OECM team, in its overall assessment and recommendations, indicated that the mission need appears justified. In addition, recent marks received as part of the FY 2007 appropriations process include funding for the Integrated Facility Disposition Project. A final CD-0 document is currently being routed through ORO-EM, ORNL, and Y-12 for submission to the Energy Systems Acquisition Advisory Board. Closure of this action plan is anticipated in FY 2008 provided ORO obtains the needed approvals from the Acquisition Executive by the target dates listed below.

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
1. Submit Mission Need Statement (CD-0) for approval	7/31/2006	7/31/2006 COMPLETE
2. Receive Acquisition Executive approval of Mission Need Statement	9/30/2006	
3. Submit Alternative Selection and Cost Range (CD-1) for approval	7/31/2007	
4. Receive Acquisition Executive approval of Alternative Selection and Cost Range	9/30/2007	
5. Submit Performance Baseline and Start of Construction (CD-2/3) for approval	7/31/2008	
6. Receive Acquisition Executive approval of Performance Baseline and Start of Construction	9/30/2008	

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed?  Yes  No, not applicable.

ORO RESPONSIBLE OFFICIAL(S):

NAME: Stephen H. McCracken

TITLE: Assistant Manager for Environmental Management

ACTION PLAN  
Oak Ridge Office  
July 31, 2006

TITLE: Handling of Beryllium Contaminated Equipment

ACTION PLAN: Reportable Problem X Reportable Nonconformance   

HQ Organization: SC Program and Admin Function: Non-Nuclear Safety and Health Management

**DESCRIPTION:** A recent OIG audit of the movement of equipment with beryllium contamination from Building 9201-2 (an ORNL-occupied former Fusion Energy Building at Y-12) to areas on the ORNL site identified the following areas of concern: employee hazard notification, provision of an option for medical evaluation, perceived inadequate postings on Building 9201-2, a lack of labeling, and the transfer of beryllium-contaminated equipment offsite and to non-beryllium areas at ORNL. An inspection report is anticipated.

**ASSESSMENT OF PROGRESS:** Upon discovery of beryllium contaminated equipment transferred from Building 9201-2 in September 2004 by UT-Battelle, a series of corrective actions were undertaken. The following critical milestones are designed to address additional actions recommended by the OIG. These actions include suspension of material and equipment transfers from Building 9201-2, limiting access to the building, posting caution signs, identifying and notifying affected employees of medical testing options, and validation of proper labeling and control of equipment transferred from Building 9201-2. Closure is expected by the end of this fiscal year.

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
1. Suspension of material and equipment transfers from Building 9201-2	5/2006	5/2006 COMPLETE
2. Review of procedures to verify transfers of equipment are properly managed	5/2006	5/2006 COMPLETE
3. Limit access to building and post caution signs for potential beryllium contamination	5/2006	5/2006 COMPLETE
4. Identify employees who could be designated as beryllium-associated workers and offer medical testing	8/2006	
5. Modify subcontract with Oak Ridge Associated Universities for medical testing and counseling of UT-Battelle subcontractor personnel	5/2006	5/2006 COMPLETE

<u>CRITICAL MILESTONES</u>	<u>ORIGINAL TARGET COMPLETION MONTH/YEAR</u>	<u>REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR</u>
6. Validate status of transferred equipment from Building 9201-2 for proper labeling and control	5/2006	5/2006 COMPLETE
7. Contact and inform research partner of controls to manage equipment	6/2006	6/2006 COMPLETE

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed? \_\_\_ Yes  No, not applicable.

ORO RESPONSIBLE OFFICIAL(S):

NAME: Johnny O. Moore

TITLE: Acting Assistant Manager for Science

**ACTION PLAN**  
Oak Ridge Office  
July 31, 2006

TITLE: Oversight of Environmental Remediation Contractors' Beryllium Programs at ORNL

ACTION PLAN: Reportable Problem X Reportable Nonconformance    

HQ Organization: EM Program and Admin Function: Non-Nuclear Safety and Health Management

**DESCRIPTION:** A recent Environment, Safety, and Health evaluation found that ORO has not ensured that certain EM contractors performing work at ORNL have adequately assessed the potential worker hazards from exposure to beryllium or implemented a CBDPP as required by 10 CFR 850. In particular, BJC was identified in a recent independent oversight evaluation (report pending) as having a CBDPP in place, but it had not included all areas in which BJC operates in the program, omitting 75 older buildings at ORNL in which BJC performs routine surveillance and maintenance activities. Responsibility for those buildings was transferred to BJC in 1998. Likewise, the assessment indicated that FWENC/TWPF did not complete a baseline beryllium inventory to fully characterize the potential for worker exposures to beryllium. They had neither developed a CBDPP nor documented a negative exposure assessment to demonstrate that the program was not needed.

**ASSESSMENT OF PROGRESS:** To address this inconsistency and lack of thoroughness in contractor oversight, ORO has now designated a senior industrial hygienist, as defined in DOE G 440.1-7A, to serve as its primary point of contact for coordination of field-level review of beryllium-related issues, working with the appropriate site contacts as needed. This includes oversight of contractor compliance with the requirements of 10 CFR 850, such as conducting a baseline beryllium inventory, assessing potential exposure hazards, and developing/updating CBDPP(s) as needed. It is expected that this assignment of program responsibility will improve consistency of program implementation throughout ORO and its supported field activities, contractors, and subcontractors. Closure is expected in FY 2007.

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
1. Ensure FWENC conducts an initial assessment of potential beryllium exposures at TWPF and completes a baseline beryllium inventory to determine whether or not a written CBDPP is needed	10/2006	

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
2. Ensure BJC conducts an initial assessment of potential beryllium exposures at its facilities not included in their existing CBDPP and update their beryllium inventory/CBDPP accordingly	12/2006	
3. Ensure, if needed, that FWENC develops a CBDPP and submits it to ORO for approval	12/2006	
4. Ensure, if needed, that BJC updates its CBDPP to address areas not previously included	2/2007	

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed?  Yes  No, not applicable.

ORO RESPONSIBLE OFFICIAL(S):

NAME: Stephen H. McCracken

TITLE: Assistant Manager for Environmental Management

**ACTION PLAN**  
Oak Ridge Office  
July 31, 2006

TITLE: Transportation Safety

ACTION PLAN: Reportable Problem X Reportable Nonconformance \_\_

HQ Organization: EM, NA, NE, SC Program and Admin Function: Non-Nuclear Safety and Health Management

**DESCRIPTION:** A recent incident involving a spill of radioactive material on a public road has focused our attention on the issue of safely transporting radioactive and other hazardous materials. ORO is expecting the shipment of radioactive material to increase significantly in the coming years. Drivers for the increase include not only the EM activities to D&D the K-25 and K-27 facilities, transport transuranic waste from the FWENC facility, and relocate UF<sub>6</sub> cylinders, but also NE, SC, and NA activities. It is imperative that these activities be accomplished without significant incident.

**ASSESSMENT OF PROGRESS:** ORO has hired a transportation manager with responsibility for assuring safe shipment of hazardous and radioactive materials. In addition, ORO has performed a surveillance of EM waste shipment operations to establish that in-place controls and conduct of operations ensure waste shipment packaging, labeling, loading, and transporting are implemented safely and compliantly and are appropriately documented. Also, haul roads have been established on the Oak Ridge Reservation for the transport of hazardous material to preclude or reduce the use of public roads.

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
1. Complete surveillance of EM waste shipment operations	8/2004	6/2005 COMPLETE
2. Hire transportation manager	10/2004	8/2004 COMPLETE
3. Establish haul roads on the Oak Ridge Reservation for the transport of hazardous material to preclude or reduce the use of public roads	TBD	1/2006 COMPLETE

**SUCCESS INDICATORS FOR CLOSED ACTION PLANS:**

Is plan closed? X Yes \_\_ No, not applicable.

DOE notified BJC that as of January 16, 2006, the haul road was completed. Tennessee Department of Environment and Conservation provided approval of the Phased Construction Completion Report on April 25, 2006.

ORO RESPONSIBLE OFFICIAL(S):

NAME: Stephen H. McCracken

TITLE: Assistant Manager for Environmental Management

NAME: Larry C. Kelly

TITLE: Assistant Manager for Environment, Safety, and Health

**ACTION PLAN**  
Oak Ridge Office  
July 31, 2006

**TITLE:** Start-Up Issues With New Accounting System—Payment Processing

**ACTION PLAN:** Reportable Problem X Reportable Nonconformance \_\_

**HQ Organization:** CF Program and Admin Function: Finance and Accounting

**DESCRIPTION:** DOE implemented its new accounting system, STARS, on April 29, 2005. With this implementation, the financial community has undergone the most extensive changes it has experienced since the inception of the Atomic Energy Commission. A mid-year system implementation brought additional complexities. The Department experienced significant start-up issues which will continue to require time and resources to resolve. STARS implementation placed the Department's financial operations in a high-risk situation.

**ASSESSMENT OF PROGRESS:** ORO detailed additional resources to payments processing to address prompt payment and invoice processing concerns. These resources monitored and followed-up on late invoice approvals, troubleshoot issues with invoices placed on hold, and served as liaison to field sites to address issues. ORO has continued to be a staunch advocate for restoring automation to many of the payment processes and has devoted resources to support this initiative. Automation of cost entries (receipts) has been restored as well as automation of the interface between VIPERS and STARS. The final piece of the automation of payment entries was completed in June 2006. These two efforts have dramatically increased the prompt payment rate with EFASC reaching the 92-94 percent range for the three-month period, February – April 2006, and achieving 96.6 percent in May and 96.1 percent in June. Significant outreach efforts have also contributed to this improvement, most notably the August 2005 trip to HQ. The five major sites (HQ, NNSA, ORO, the Chicago Office, and the National Energy Technology Laboratory) that comprise 85 percent of the EFASC payments have received site visits. Site visits have focused on payment processing and the training of invoice approving officials. ORO has developed a new user guide for the invoice approval system, and an on-line tutorial for invoice approvals through the Vendor Invoice Approval System is now operational. As part of the Tiger Team for Data Conversion Clean-Up, ORO has taken the lead in an effort to clean up supplier information. The initial focus was to clean up the data sufficiently to produce Forms 1099. In addition, clean-up of supplier records for integrated contractors has been completed, and work has progressed significantly on records with invalid and duplicate taxpayer identification numbers. However, other priority Tiger Team work has delayed further progress in this area. It is anticipated that the site visits, coupled with the final phase of automation, will bring the EFASC prompt payment rate to a steady state of 95 percent. Although only 30 percent of invoices are being submitted electronically and work remains to be done in the area of supplier record data cleanup, the results to date are such that this action plan is considered to be closed.

CRITICAL MILESTONES	ORIGINAL TARGET COMPLETION MONTH/YEAR	REVISED TARGET/ACTUAL COMPLETION MONTH/YEAR
1. Work with field finance offices to reduce payments on hold and late invoice approvals to pre-STARS levels	1/2006	6/2006 COMPLETE
2. Pursue phased automation of payments in STARS: a. Automate receipt of electronic invoices into the accounting system b. Automate payment entries	TBD  TBD	11/2005 COMPLETE 6/2006 COMPLETE
4. Clean-up supplier information	6/2006	TBD
5. Encourage/mandate vendors to use the electronic invoice process following completion of the General Services Administration e-authentication project	1/2006	6/2006 COMPLETE

SUCCESS INDICATORS FOR CLOSED ACTION PLANS:

Is plan closed?  Yes  No, not applicable.

The Office of Management and Budget delinquent interest metric (the amount of interest penalties paid on late invoices < .02 percent relative to total dollars paid in accordance with the Prompt Payment Act) has been "green" since September 2005.

Electronic invoices through VIPERS began being automatically interfaced with STARS in November 2005.

Prompt payment has consistently been in the 92-94 percent range for the months of February – April 2006 and exceeded the 95 percent prompt payment standard required by the Financial Services Letter of Obligation in May and June.

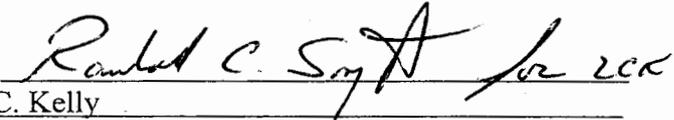
ORO RESPONSIBLE OFFICIAL(S):

NAME: Judith M. Penry  
TITLE: Chief Financial Officer

**OAK RIDGE OFFICE  
RESPONSIBLE OFFICIAL SIGNATURES**

The action plan below correctly represents those areas for which I am responsible:

Transportation Safety

SIGNATURE:   
NAME: Larry C. Kelly  
TITLE: Assistant Manager for Environment, Safety, and Health

**OAK RIDGE OFFICE  
RESPONSIBLE OFFICIAL SIGNATURES**

The action plans below correctly represent those areas for which I am responsible:

Closeout Baseline

Surplus Facilities

Oversight of Environmental Remediation Contractors' Beryllium Programs at ORNL

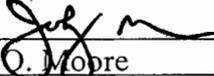
Transportation Safety

SIGNATURE: Andrea Peekas for SH McCracken  
NAME: Stephen H. McCracken  
TITLE: Assistant Manager for Environmental Management

**OAK RIDGE OFFICE  
RESPONSIBLE OFFICIAL SIGNATURES**

The action plan below correctly represents those areas for which I am responsible:

Handling of Beryllium Contaminated Equipment

SIGNATURE:  \_\_\_\_\_  
NAME: Johnny O. Moore  
TITLE: Acting Assistant Manager for Science

**OAK RIDGE OFFICE  
RESPONSIBLE OFFICIAL SIGNATURES**

The action plan below correctly represents those areas for which I am responsible:

Start-Up Issues With New Accounting System—Payment Processing

SIGNATURE: Judith M. Penry  
NAME: Judith M. Penry  
TITLE: Chief Financial Officer

United States Government

Department of Energy

Thomas Jefferson Site Office

# memorandum

RECEIVED  
OFFICE OF THE MANAGER  
7/27/06

DATE: July 24, 2006

REPLY TO  
ATTN OF: SC-TJJO:Brittin

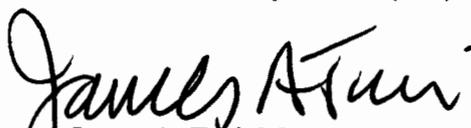
SUBJECT: **FISCAL YEAR 2006 FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT  
ASSURANCE MEMORANDUM**

TO: Raymond L. Orbach, Under Secretary of Science, S-4

In accordance with the Federal Managers Financial Integrity Act, we have completed a summary management review of the management controls for the Thomas Jefferson Site Office and the Thomas Jefferson National Accelerator Facility (Jefferson Lab or Laboratory) in effect as of the fiscal year ending September 30, 2006. The review was performed in conformity with Departmental guidelines and accordingly included a review of whether the management controls were in compliance with underlying management principles which incorporate the General Accounting Office's Standards for Internal Controls in the Federal Government. The review included the consideration of the collective day-to-day information available and the knowledge of the site office staff gained through their operational awareness, reviews and investigations, the results of audit reports, internal management reviews, assurances from the major contractor under my cognizance, and other known information. In addition, our review considered the areas of environmental management, nuclear safety management, non-nuclear safety management, safeguards and security, contract administration, project management, and information technology.

The result of the review indicates there is reasonable assurance that management controls are working effectively and program and administrative functions were performed in an economical and efficient manner consistent with applicable laws; property, funds, and other resources were safeguarded against waste, loss, or unauthorized use; obligations and costs were proper; and accountability for assets was maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for errors or irregularities to go undetected.

The above review did not disclose any reportable problems. If you have any questions, please feel free to contact me at (757) 269-7140 or Dennis Brittin of my staff at (757) 269-7173.

  
James A. Turi, Manager  
Thomas Jefferson Site Office

cc:

G. Malosh, SC-3  
S. Mallette, SC-TJJO  
W. Skinner, SC-TJJO  
D. Brittin, SC-TJJO  
J. Penry, SC-ORO  
✓ G. Boyd, SC-ORO

RECORD COPY

As of this printing,  
the Pacific Northwest Site Office  
Manager's FY 2006 Assurance Memorandum  
has not been received.

If you want a copy when received, please contact  
Pete Johnson at (865)483-0165 or  
by email at [johnsonjp@oro.doe.gov](mailto:johnsonjp@oro.doe.gov).