U.S. Department of Energy
Office of Inspector General
Office of Inspections and Special Inquiries

Inspection Report

Office of Science Laboratory Conferences

DOE/IG-0794 May 2008

Department of Energy
Washington, DC 20585

May 22, 2008

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Inspection Report on "Office of Science Laboratory Conferences"

BACKGROUND

The Department of Energy's Office of Science manages ten major laboratories, comprising one of the most comprehensive research systems of its kind in the world. Office of Science entities hold a variety of conferences that bring together a broad range of scientists and researchers to present scientific results, discuss technologies, and expand collaboration.

Federal and Department policies provide guidance on the use of Federal and non-Federal funds for conferences, with the objective of ensuring that conferences are managed in a cost effective manner. These policies include restrictions on the use of funds for items such as food, alcohol, and entertainment. Further, the Department requires that conferences be approved in advance and that conference details be included in the Department's Conference Management System database. The System provides senior Department officials with information they need to ensure that Department-sponsored conferences are managed responsibly. According to the Conference Management System database, the Department held over 900 conferences, symposia, workshops, and meetings in fiscal years 2005 through 2007 at an estimated cost of almost $38 million. However, as discussed in the attached report, we found that these numbers were materially understated.

We conducted a review of selected Office of Science sponsored or co-sponsored conferences managed by three of its laboratories to determine whether the conferences were managed cost effectively, consistent with applicable policies and regulations. The laboratories were Argonne National Laboratory, Oak Ridge National Laboratory (ORNL), and Thomas Jefferson National Accelerator Facility.

RESULTS OF INSPECTION

We did not identify any issues with the selected conferences managed by Argonne National Laboratory. Although relatively minor, we found that Thomas Jefferson National Accelerator Facility was not complying with a Department requirement regarding the use of certain conference fees. Most significantly, ORNL had not managed conferences in accordance with applicable policies and regulations. Specifically, we found that, contrary to Federal and Department requirements:

- ORNL incurred "unreasonable" costs associated with conference-provided meals. At one 4-day conference in 2007, the Department spent over $230,000 to provide meals

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for approximately 318 attendees. We examined the menus for the meals provided at this conference. While it is an admittedly subjective judgment, we found these meals to be upscale and elaborate, which was reflected in the cost of the conference. Further, the nature and cost of the meals undermined the Department's stated philosophy of moderating Government expenses at such functions;

- ORNL used registration fees from non-Department sources to pay for alcohol, entertainment, and gifts. For example, at one conference, $27,225 was spent on an afternoon social event at a yacht club and $650 on cigars and wine. Such costs are generally treated as unallowable. This problem, although to a much lesser extent, was also found at Thomas Jefferson National Accelerator Facility;

- ORNL had not requested or obtained Department approvals prior to holding a number of conferences during fiscal years 2005 through 2007. Such approvals help ensure, among other things, that conference locations and costs are appropriate; and,

- ORNL had not provided conference information for inclusion in the Department's Conference Management System database, resulting in a material understatement of Department conferences and conference costs.

In addition, based upon a review of a sample of travel vouchers associated with selected conferences, we found that, although meals had been provided to the attendees during the conferences, some Federal and contractor employees had not deducted the corresponding meal per diem amounts from their official travel vouchers. Thus, it appeared these individuals claimed and were reimbursed for meals they received at no cost. Information regarding this matter was provided to appropriate officials.

We recognize the contribution that scientific gatherings can make to the Office of Science mission. However, in the cases cited in this report, we believe that the taxpayers' interests would have been better served if the sponsors of the conferences had: (*i*) adhered to Department conference management guidance; and, (*ii*) had exercised greater care in expending the limited science resources entrusted to the Department.

We made nine recommendations aimed at improving the Department's management of conferences and associated costs.

MANAGEMENT REACTION

In responding to a draft of this report, management concurred with our recommendations and identified corrective actions taken, initiated, or planned. Management's verbatim comments are provided in Appendix C of the report.

Attachment

cc: Acting Deputy Secretary
Under Secretary for Science
Under Secretary of Energy
Administrator, National Nuclear Security Administration
Chief of Staff
Director, Office of Science
Director, Office of Management
Associate Administrator for Management and Administration
Manager, Oak Ridge Office
Manager, Chicago Office
Manager, Thomas Jefferson Site Office
Director, Office of Internal Review (CF-1.2)
Director, Policy and Internal Controls Management (NA-66)

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OVERVIEW

INTRODUCTION AND OBJECTIVE

The Department of Energy's (Department's) Office of Science is the single largest supporter of basic research in the physical sciences in the United States. Its mission is to deliver the discoveries and scientific tools that transform the understanding of energy and matter and advance the national, economic, and energy security of the United States. The Office of Science manages ten major laboratories, one of the most comprehensive research systems of its kind in the world. In support of its mission, Office of Science entities hold a variety of conferences that bring together Federal, academic, and industry scientists and researchers to present scientific results, discuss technologies, and discover new approaches to collaboration.

Federal and Department policies provide guidance governing the use of Federal and non-Federal funds for conferences and place restrictions on the use of funds for items such as food, alcohol, and entertainment. Further, the Department requires that conferences be approved in advance and that conference details be included in the Department's Conference Management System database. In this way, the Department can accurately report conference data to management, Congress, and other Federal agencies, as required. According to the Conference Management System database, the Department held over 900 conferences, symposia, workshops, and meetings in fiscal years 2005 through 2007 at an estimated cost of almost $38 million. As discussed later in this report, our inspection suggested that these numbers were materially understated.

We conducted a review of selected Office of Science sponsored or co-sponsored conferences managed by three Office of Science laboratories to determine whether the conferences were managed cost effectively and consistent with applicable policies and regulations. The laboratories were Argonne National Laboratory, operated for the Department by UChicago Argonne, LLC; Oak Ridge National Laboratory (ORNL), operated by UT-Battelle, LLC; and, Thomas Jefferson National Accelerator Facility (Thomas Jefferson), operated by Jefferson Science Associates, LLC.

OBSERVATIONS AND CONCLUSIONS

We did not identify any issues with the selected conferences we reviewed at Argonne National Laboratory. However, we concluded that Thomas Jefferson was not complying with a Department requirement regarding the use of certain conference fees and, most significantly, ORNL had not managed conferences in accordance

with applicable policies and regulations. Specifically, we found that, contrary to Federal and Department requirements:

- ORNL incurred "unreasonable" costs associated with conference-provided meals and, thus, did not always minimize conference costs. For example, at a 4-day conference held in 2007, UT-Battelle spent $236,300 of Department funds to feed approximately 318 people;

- ORNL used registration fees from non-Department sources to pay for alcohol, entertainment, and gifts. For example, at one conference, UT-Battelle spent $27,225 on an afternoon social event at a yacht club and $650 on cigars and wine. This problem, although to a much lesser extent, was also found at Thomas Jefferson;

- ORNL had not requested or obtained Department approvals prior to holding a number of conferences during fiscal years 2005 through 2007. Such approvals help ensure, among other things, that conference locations and costs are appropriate; and,

- ORNL had not provided conference information for inclusion in the Department's Conference Management System database, resulting in a material understatement of Department conferences and conference costs.

In addition, based upon a review of a sample of travel vouchers associated with selected conferences, we found that, although meals had been provided to the attendees during the conferences, some Federal and contractor employees had not deducted the corresponding meal per diem amounts from their official travel vouchers. Thus, it appeared these individuals claimed and received reimbursement for meals they received at no cost. Information regarding this matter was provided to appropriate officials.

During the course of our inspection activities, we discussed our findings with Department and contractor officials, who stated that, based upon the results of our work, they had initiated internal reviews and corrective actions.

The Office of Inspector General has completed a number of reviews related to the Department's conference management practices. Appendix B contains a list of related reviews, which in some instances identified the need to develop specific policies and guidance related to conference management.

CONFERENCE MEALS

We found that, contrary to Federal and Department requirements, ORNL incurred unreasonable costs associated with conference-provided meals and, thus, did not always minimize conference costs.

The Federal Travel Regulation (FTR) establishes requirements and travel policies for Government employees and others attending conferences at public expense. The FTR suggests that meals provided to conference attendees not exceed the General Services Administration (GSA) Temporary Duty (TDY) Travel Allowance daily meal rate each day. The FTR also allows agencies managing a conference to provide light refreshments, which are defined to include such items as coffee, tea, soft drinks, donuts, bagels, and fruit. The Federal Acquisition Regulation (FAR), Part 31, requires that, for a cost to be an allowable cost to the Government, it must be determined to be reasonable. The FAR states that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. It further states that the burden of proof shall be upon the contractor to establish that such cost is reasonable. Department Order 110.3A, "Conference Management," requires that conference expenditures be kept to the minimum necessary to accomplish program objectives.

UT-Battelle, ORNL's operating contractor, is contractually required to follow these regulations and the directive. We examined the meal costs for four conferences managed by UT-Battelle. We identified problems with all four. For example, we analyzed the 2007 "Scientific Discovery through Advanced Computing Program" (SciDAC) 4-day conference held at a hotel in Boston, MA. Approximately 318 Federal and private sector personnel were slated to attend the event. Participants were provided full breakfasts and lunches, morning and afternoon snacks, as well as food and beverages at four evening events. We determined that the Department paid over $236,300 for food and beverages at the conference. UT-Battelle conference officials told us that they did not have specific written policies regarding conference meal costs. However, they told us that, for each meal, it was their practice to allow conference planners to spend up to 100 percent of the conference locale's GSA TDY daily meal rate and that, for each snack, they could spend up to 40 percent of the daily meal rate. The daily meal rate in Boston was $61, so conference organizers contended that they could spend up to $61 for breakfast, $61 for lunch, and $61 for an evening event, as well as $24.40 for a morning break and $24.40 for an afternoon break. This totaled

over $230 per person, per day. Thus, the actual expenses borne by the Department, and, in turn, by U.S. taxpayers, dramatically exceeded the GSA standard of $61 per day per participant. In fact, one day's expenditures paid by the Department were almost 400 percent of the GSA TDY daily meal rate in Boston.

We were unable to determine, and UT-Battelle was unable to provide, the basis under which it adopted its business practice for conference meals. We spoke with Department Oak Ridge Office (ORO) officials about the practice, and they informed us that they were unaware of its existence. Further, they were unaware of the volume and nature of the food being provided. We were told by an ORO official that this occurred, in part, because of the lack of specific Department guidance governing the cost and reasonableness of conference-provided food and beverages. We believe the Department could strengthen its conference management by issuing more-specific guidance for conference planners on allowable food and beverage costs.

As a result of our inspection, ORO initiated a 100 percent review of conferences managed by UT-Battelle from October 2005 through September 2007 to ensure meal costs did not exceed the GSA TDY daily meal rate. Based upon its final findings, ORO informed us it had identified $606,000 in costs that exceeded the GSA TDY daily meal rate. ORO also told us that it had expanded its review to include the recordkeeping and accounting systems. In addition, an ORO official advised us that, based on the results of this review, an additional review of UT-Battelle's business meals will be conducted.

REGISTRATION FEES

We found that, contrary to applicable requirements, ORNL used registration fees from non-Department sources to pay for alcohol, entertainment, and gifts at certain Office of Science conferences that it managed. Office of Science conferences are attended by Department, Department contractor, and private sector academic and industry scientists and researchers. Department Order 110.3A provides for the collection of registration fees from attendees to offset associated conference costs. However, the Order specifically states that these fees may not be used to pay for any type of unallowable costs, such as alcoholic beverages and entertainment, including social activities. Further, 48 Code of Federal Regulations Part 31.205 specifies that gifts are an unallowable cost. We determined that UT-Battelle paid a substantial amount of these types of costs using registration fees from non-Department attendees, including:

2005 Particle Accelerator Conference, Knoxville,TN

- $67,983 - Welcome reception and social banquet
- $35,000 - 1,200 executive pens with USB drives
- $12,172 - Alcoholic beverages served at receptions

2006 Linear Accelerator Conference, Knoxville, TN

- $27,225 - Afternoon social event at an area yacht club
- $13,731 - Alcohol and food at social events
- $2,175 - Musical entertainment
- $650 - Cigars and wine purchased as gifts

We found that Thomas Jefferson also used registration fees from non-Department sources to pay unallowable costs, i.e., alcohol and entertainment, but that it was to a much lesser extent.

The diversion of registration fees from non-Department conference participants to pay unallowable costs reduces the amount of these fees available to pay allowable costs. Such action directly increases the need for Department funding of allowable costs. We discussed our findings with UT-Battelle and Jefferson Science Associates officials. They stated they would immediately cease using non-Department registration fees to pay for unallowable costs. In addition, Department officials at ORO and Thomas Jefferson told us that they plan to review all costs paid by registration fees.

CONFERENCE APPROVAL

We found that ORNL had not requested or obtained the required Department approvals prior to holding a number of conferences during fiscal years 2005 through 2007. Such approvals help senior decision makers ensure that (1) conferences are justified and not duplicative and (2) the locations selected and costs incurred are appropriate and reasonable. Department Order 110.3A requires that conferences be approved by a program Secretarial Officer; the head of a Department Headquarters element; their principal deputies; or, if delegated, the head of a field element.

We interviewed a UT-Battelle official and were told that in 2001 the ORNL Conference Center instituted a practice to exclude all conferences from the required approval process. We were told that UT-Battelle reached this decision based on a contention that all of the conferences it managed met an exclusion provision in DOE Order 110.3A for Department "technical/ business program, project, or peer reviews." On this basis, the ORNL Conference Center had excluded its conferences from the Department approval

process outlined in the Order. We concluded that this position was inconsistent with the letter and intent of applicable Department policy.

Our review of selected conference records back through 2005 confirmed that UT-Battelle was not obtaining the required approval for its conferences. An ORO official told us that, as a result of our inspection, a 100 percent review was being conducted for all UT-Battelle conference exclusions used between 2005 and the first quarter of 2008. The official said that the review had already identified a number of excluded conferences that clearly did not meet the technical/business program, project, or peer review exclusion; and, therefore, these conferences should have been subject to Department approval.

We noted that the Office of Science had distributed guidance in April 2005 and again in September 2006 on the conference approval requirement. ORO sent UT-Battelle senior management this guidance, as well as additional implementing guidance, in September 2005, May 2006, and October 2006. The guidance addressed the approval process and cost incursion for conferences. For example, all sponsored and co-sponsored conferences required approval from ORO and, depending on the cost, the Office of Science as well. Further, in general, no costs were to be incurred, nor any contractual commitments authorized, until the requests had been approved. ORO officials acknowledged that they had not implemented a mechanism that would ensure UT-Battelle complied with the guidance. Based on the results of our inspection, ORO and UT-Battelle senior management told us that the ORNL Conference Center procedures and practices would be updated to ensure that all conference information is submitted for the proper approvals as required.

CONFERENCE REPORTING

We found that ORNL had not provided required conference information for inclusion in the Department's Conference Management System (CMS) database. The CMS database is managed by the Department's Office of the Executive Secretariat. It is designed to generate reports to alert Department managers of any activities that appear inconsistent with Department conference management policy and procedures; provide the Department a tool to view approved and proposed conferences for information, planning, and decision-making purposes; and, compile information for members of Congress and other Federal agencies as necessary. Department Order 110.3A requires all Department elements to enter all conference activities into the database.

We reviewed the CMS database for ORNL conference information and determined that there were 195 entries for conferences, symposia, workshops, and meetings for calendar year 2000, but there were only 21 entries for 2001 and 0 for 2002, 2003, and 2005. There was one entry each for 2004, 2006, and 2007; however, ORNL had not entered this data in the system, it was three other Department sites that had done so to account for their personnel requesting attendance at the ORNL conferences. We were told by an ORO official that the absence of ORNL information in the database was due to the ORNL Conference Center practice of excluding all conferences from the required approval process, as discussed in the previous section. We spoke with an official in the Office of the Executive Secretariat and were told that as a result of UT-Battelle's omission, conference funding and attendance were underestimated in the Department's quarterly and annual reports. We were told by ORO and UT-Battelle senior management that, as a result of our review, UT-Battelle now plans to provide past and future conference information for inclusion into the database.

TRAVEL VOUCHERS

As part of our inspection activities, we reviewed a sample of travel vouchers submitted by Federal and contractor employees attending certain Office of Science conferences included in our review. We found that, although meals had been provided to the attendees during the conferences, some Federal and contractor employees affiliated with the Office of Science and the National Nuclear Security Administration (NNSA) did not deduct the corresponding meal per diem amounts from their official travel vouchers, apparently claiming reimbursement for meals they received at no cost.

The FTR requires conference attendees, both Federal and contractor, to deduct the appropriate amount from their travel reimbursement when meals are furnished at conferences. However, our review of two conferences found that 17 of 57 Federal and contractor employees did not reduce their reimbursement amount. Thus, some employees were apparently reimbursed for meal costs that they never incurred. While we recognize that honest mistakes can happen, in this case the number of apparently inaccurate claims seems unreasonable. We have provided details of this finding to appropriate officials with the Office of Science and NNSA.

RECOMMENDATIONS

We recommend that the Director of the Department's Office of Management:

1. As the initiator of Department Order 110.3A, issue more-specific Department guidance on allowable food and beverage costs for conferences and similar events that are funded at least in part by the Department.

We recommend that the Director, Office of Science:

2. Determine whether other Office of Science sites are complying with conference management guidelines and take appropriate action as necessary; and,

3. Review the information disclosed by our review regarding travel vouchers submitted by Federal and contractor employees attending Office of Science conferences and take additional actions as appropriate.

We recommend that NNSA's Associate Administrator for Management and Administration:

4. Review the information disclosed by our review regarding travel vouchers submitted by Federal and contractor employees attending Office of Science conferences and take additional actions as appropriate.

We recommend that the Manager, Oak Ridge Office:

5. Review food and beverage costs associated with UT-Battelle-managed conferences, assess their allowability and initiate appropriate action to recover all unallowable costs;

6. Review the use of registration fees from non-Department sources that were collected by UT-Battelle and initiate appropriate action to recover any Department costs incurred as a result of their inappropriate use;

7. Take steps to ensure UT-Battelle obtains appropriate approvals for conferences and provides all conference information for inclusion in the Department's Conference Management System; and,

8. Consider the information disclosed by our review when evaluating UT-Battelle's performance.

We recommend that the Manager, Thomas Jefferson Site Office:

9. Review the use of registration fees from non-Department sources that were collected by Jefferson Science Associates and initiate appropriate action to recover any Department costs incurred as a result of their inappropriate use. Take additional administrative actions as deemed necessary.

MANAGEMENT COMMENTS

In comments on a draft version of this report, management concurred with the recommendations and identified a number of corrective actions. We have included management's comments in Appendix C.

INSPECTOR COMMENTS

In general, we considered management's comments to be responsive to our recommendations. To address a question from management regarding the intent of recommendation 1, we added clarifying language to the recommendation.

SCOPE AND METHODOLOGY

Our review included conference management activities at Argonne National Laboratory, Oak Ridge National Laboratory, and Thomas Jefferson National Accelerator Facility for primarily fiscal years 2005 through 2007. The majority of our fieldwork was conducted from October through December 2007. It included interviews with Department and contractor officials. Our document review and analysis included:

- Conference invoices, banquet booking orders, and accounting reconciliation documents;
- Travel vouchers submitted by Department and contractor employees attending selected conferences;
- Information contained in the Department's Conference Management System;
- Federal, Department, and local policies and regulations pertaining to conferences; and
- Prior Office of Inspector General and other related reports.

We assessed the Department's compliance with the Government Performance and Results Act of 1993. Our review indicated that the Department established performance measures related to financial management, although none specifically related to conference management.

This inspection was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency.

PRIOR REPORTS

The following are prior related Department of Energy Office of Inspector General reports:

- "Sandia National Laboratory-California Procurement Card Program" (DOE/IG-0754, January 2007);
- "Audit of Fermi National Accelerator Laboratory Cost Claimed Under Contract No. DE-AC02-76CH03000 for Fiscal Year 2004" (OAS-FC-06-01, April 2006);
- "Management of the Clean Cities Conference" (OAS-SR-06-01, October 2005);
- "Report on Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Fermi National Accelerator Laboratory Under Department of Energy Contract No. DE-AC02-76CH03000" (OAS-V-05-07, May 2005);
- "University of California's Costs Claimed and Related Internal Controls for Operation of Los Alamos National Laboratory" (DOE/IG-0596, April 2003);
- "Inspection of the Department of Energy's Conference Policies and Practices" (DOE/IG-0433, December 1998); and,
- "The U.S. Department of Energy's X-Change 1997: The Global D&D Marketplace Conference" (DOE/IG-0429, September 1998).

The following is a prior report issued by the Department of Justice Office of Inspector General that has similar findings at Justice:

- "Department of Justice Conference Expenditures" (Audit Report 07-42, September 2007).

Department of Energy
Washington, DC 20585

April 25, 2008

MEMORANDUM FOR: CHRISTOPHER R. SHARPLEY
DEPUTY INSPECTOR GENERAL
FOR INVESTIGATIONS AND INSPECTIONS

FROM: GEORGE J. MALOSH
DEPUTY DIRECTOR ~~FOR FIELD OPERATIONS~~
OFFICE OF SCIENCE

SUBJECT: Comments on Draft Inspection Report on "Office of Science Laboratory Conferences"

The Department of Energy and the DOE Office of Science have reviewed the draft report and in general support the report's findings and recommendations. We are disappointed that, despite the consistent attention and emphasis we have placed on the appropriate conduct and reporting of conferences, errors have occurred by both Federal and contractor staff. Our positions with respect to your recommendations are provided below, along with a few requested modifications to the report:

Recommendation 1: Recommend that the Director of the Department's Office of Management issue more specific Department guidance on allowable food and beverage costs for conferences and similar events.

Management Response: The Office of Management concurs in principle with Recommendation 1 to the Director, Office of Management. We have reviewed the draft report, the current DOE Order 110.3A, "Conference Management," and existing regulatory coverage. Based on that review, we agree to issue guidance to DOE contracting officers regarding the requirements of the Order and governing contract terms and conditions on allowable food and beverage costs for DOE and Contractor-sponsored conferences and similar events. We believe that the current policies and guidance (as embodied in the Order, Federal and Departmental acquisition regulations, and contract terms and conditions) are adequate to provide appropriate administrative and contractual controls on such costs. Accordingly, guidance will emphasize existing contractual and administration requirements and the attendant responsibilities of contracting officers. We anticipate this guidance to be issued by April 2009.

As we understand the context of the recommendation, its emphasis is on providing guidance to contractors. The recommendation does not, in our view, require the Director, Office of Management, to issue guidance to Federal Employees in this matter. If the intent of the recommendation is to include additional guidance to Federal employees, the report needs to develop an additional recommendation to the DOE organizational element responsible for

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Federal employee travel. Finally, the current recommendation does not recognize that NNSA has separate contracting authority from DOE.

Accordingly, the recommendation should be revised to read "We recommend that the Director of the Department's Office of Management in conjunction with the NNSA's Associate Administrator for Management and Administration:

> "1. Issue appropriate Department guidance to contracting officers on the allowability and reasonableness of contractor incurred costs for food and beverage expenses related to DOE and contractor sponsored conferences."

Recommendation 2: That the Director of the Office of Science determine whether Office of Science sites are complying with conference management guidelines and take appropriate action as necessary.

Management Response: Concur. The Office of Science has directed each of its site offices to initiate reviews of conferences at their laboratory to determine the extent of compliance with management guidelines and to recommend appropriate action as necessary. This approach will be further incorporated in each site office's annual performance plan and laboratory review schedule, due at the beginning of each Fiscal Year. The implementation of this recommendation will have begun by June 30, 2008.

Recommendation 3: That the Director of the Office of Science review the information disclosed by our review regarding travel vouchers submitted by Federal and contractor employees attending Office of Science conferences and take additional actions as appropriate.

Management Response: Concur. The Office of Science has issued additional written guidance to all its federal employees regarding the appropriate reimbursable costs and use of travel vouchers while attending conferences. We have also directed our sites assure that similar guidance is conveyed to each member of our contractor community. The implementation of this recommendation will have begun by June 30, 2008.

Recommendation 4: Recommend that NNSA's Associate Administrator for Management and Administration review the information disclosed by our review regarding travel vouchers submitted by Federal and contractor employees attending Office of Science conferences and take additional actions as appropriate.

Management Response: NNSA is responding separately to this recommendation.

Recommendation 5: That the Oak Ridge Office (ORO) review food and beverage costs associated with UT-Battelle-managed conferences, assess their allowability, and initiate appropriate action to recover all unallowable costs.

Management Response: Concur. We have performed a review of all UT-Battelle managed conferences for the 3-year period ended September 30, 2007. We have initiated discussions with UT-Battelle on the reasonableness and cost allowability of food and beverage costs associated

with these conferences. In addition, we will provide additional guidance to UT-Battelle to clarify what is considered reasonable meal costs for future use. The target date for implementation of this recommendation is June 30, 2008.

Recommendation 6: That the Oak Ridge Office review the use of registration fees from non-Department sources that were collected by UT-Battelle and initiate appropriate action to recover any Department costs incurred as a result of their inappropriate use.

Management Response: Concur. The noted unallowable costs were originally inappropriately charged to registration fees. UT-Battelle had received sponsorship funds to appropriately pay for the unallowable costs noted in this report. When this was brought to the attention of UT-Battelle, correcting entries to appropriately charge the unallowable costs to sponsorship funds were made. We are validating the correcting entries made by UT-Battelle. Any shortages in sponsorship funds to cover the unallowable costs will be included in our discussions with UT-Battelle concerning the reasonableness and allowability of food and beverage cost. The target date for implementation of this recommendation is June 30, 2008.

Recommendations 7 & 8: That the Oak Ridge Office take steps to ensure UT-Battelle obtains appropriate approvals for conferences and provides all conference information for inclusion in the Department's Conference Management System; and consider the information disclosed by our review when evaluating UT-Battelle's performance.

Management Response: Concur. We are currently requiring UT-Battelle to submit all events to ORO for review. Formal clarifying guidance will be provided to UT-Battelle to ensure all conferences are appropriately approved and reported. In addition, ORO will use this as a lesson learned and will conduct periodic reviews to ensure all contractors are properly obtaining approvals and reporting conferences. The target date for implementation of this recommendation is June 30, 2008. In addition, the information identified by the Office of Inspector General will be considered during the next evaluation of UT-Battelle's performance as manager of the Oak Ridge National Laboratory. The target date for implementation of this recommendation is September 30, 2008.

Recommendation 9: That the Manager, Thomas Jefferson Site Office, should review the use of registration fees from non-Department sources that were collected by Jefferson Science Associates and initiate appropriate action to recover any Department costs incurred as a result of their inappropriate use, and take additional administrative actions as deemed necessary.

Management Response: Concur. The Thomas Jefferson Site Office will review Jefferson Science Associates' use of registration fees collected from non-Department sources and take appropriate action to recover any Departmental costs incurred as a result of their inappropriate use. Target date for completion is June 30, 2008.

Thank you for the opportunity to review this draft report.

If you have any questions regarding this response, please contact Devon Streit at 202-586-9129.

Department of Energy
National Nuclear Security Administration
Washington, DC 20585

MEMORANDUM FOR Christopher R. Sharpley
Deputy Inspector General
For Investigations and Inspections

FROM: Richard Speidel, Director 5/14-08
Policy and Internal Controls Management

SUBJECT: Comments to Draft Report on Science Laboratory Conferences, S07IS028; IDRMS No. 2008-0100

The Inspector General (IG) recently completed an inspection related to "Science Laboratory Conferences." During the course of the inspection and, as part of some random sampling of travel vouchers, it was determined that the National Nuclear Security Administration (NNSA) had several individuals with anomalies related to their respective travel vouchers. Since NNSA was not part of the inspection, per se, I was informed by the Lead Investigator of their findings related to NNSA employees.

NNSA appreciates the information provided by the IG and agrees with how the investigators have addressed the issue, *vies e vies*, NNSA employees. Furthermore, we agree that the recommendation that is contained in the report directed towards NNSA is appropriate, even though NNSA was not a part of the inspection.

Based on the information provided to me regarding the individuals, NNSA took the following actions:

- NNSA's Financial Controls element was asked to determine if there are any systemic weaknesses or trends related to the issues raised in the report. **The Financial Controls element has responded in the negative.**
- NNSA provided the listing of personnel that were identified to their respective organizations. **In both cases the organizations' Head of Audits and Ethics factored the information into ongoing internal audits of their respective organizational travel systems to determine if the issues raised were anomalies or systemic weaknesses. (In both cases, the information has**

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proven not to be any systemic weakness or trend.) Additionally, both organizations have exercised the processes used to recover the inappropriate costs.

NNSA also has a supplemental policy document (Business Operating Policy) that will be issued shortly that addresses the overall topic of meals. We will continue to monitor progress to correcting the deficiencies that generated the recommendation. Our status reports will be entered into the Department's Audit Report and Tracking System through completion of the corrective actions.

Again, NNSA appreciates the opportunity to respond to the IG regarding this issue. Should you have any questions related to this response, please let me know.

cc: David Boyd, Senior Procurement Executive
Karen Boardman, Director, Service Center

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2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?

3. What format, stylistic, or organizational changes might have made this report's overall message clearer to the reader?

4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

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Telephone _____ Organization _____

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