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The Honorable Steven Chu
Secretary
Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Secretary Chu:

This past January, the Department of Energy's Inspector General (IG) released an audit report that raises questions about the quality of auditing and the adequacy of agency oversight of billions of dollars of contract spending at DOE's Savannah River Site. We write to request information and documents related to this report's findings.

The IG review (DOE/IG-0811) examined the Washington Savannah River Company, LLC (WSRC) internal audit of the \$1.4 billion claimed spending in FY2007 by WSRC, which at the time held the management and operations contract at the site, and currently holds the liquid waste cleanup contract. The report sought to determine whether the contractor's audits met both quality and professional accounting standards and whether the internal audit could verify the justifications that contractor spending of taxpayer funds at the site were allowable under DOE contract terms. In the course of its review, the IG found serious accounting deficiencies and material weaknesses sufficient to conclude that the WSRC internal audit could not be relied upon. WSRC has been asked, essentially, to redo its audit.

The IG's report raises troubling questions about the independence of the WSRC audit. For example, the IG found that internal audit management proposed methods for WSRC management to reduce the severity of audit findings, leaving questionable costs excluded from the final report. In another instance, an internal audit manager "encouraged WSRC management to omit information that confirmed improper labor cost allocations". In another example, internal audit management directed a staff auditor to modify results, which caused questioned costs to be excluded from reporting to DOE. According to the IG, these and other identified actions

“violated professional standards related to auditor independence and objectivity; proper performance of the audit engagement; and, appropriate communication of audit results”.

The IG also identified failures on the part of DOE’s Savannah River Operations Office, beginning with the observation that DOE management had not even required WSRC to comply with provisions of a 2004 contract clause intended to strengthen audit independence. As a result, there was no independent corporate governing body to oversee and ensure the independence of the internal audit reporting. “As a consequence,” the IG noted, “Federal managers at SRS were not provided with information necessary to fully comprehend the materiality of nor address the resolve internal control weaknesses.” Moreover, internal audit reports supplied to federal managers were not shared with the appropriate Federal Contract Managing Officers, as required by Savannah River Site policy. As a result the official responsible for identifying and taking action on questioned costs did not have the information necessary to identify questioned costs.

To help the Committee determine whether DOE is effectively overseeing contracts at the Savannah River Site, we request that DOE respond to the following:

1. Please identify the names, titles, and offices of the officials at the Department of Energy (DOE) and the Savannah River Operations Office (Savannah River) who have been or are responsible for the management and operations contract at the Savannah River Site over the past ten years, including, but not limited to, officials who were responsible for the Washington Savannah River Company, LLC (WSRC) contract during the period covered by the Inspector General audit. Please note any personnel changes.
2. The Inspector General reports that Savannah River officials had not required WSRC to comply with provisions of a DOE-required 2004 internal audit contract clause and associated Acquisition Guide. Please (a) identify the names and titles of DOE officials who were involved in this decision, including, but not limited to, the officials who approved this decision, and (b) explain in detail why the WSRC contract did not incorporate the new audit contract clause until August 8, 2008 – three and one half years and several billion dollars after the DOE required the new policy and terms.
3. Please provide a copy of Savannah River’s *Integrated Performance Manual* and explain whether all procedures in this manual relating to internal audit and contract oversight have been followed.
4. What is DOE’s position with regard to contractor adherence to contract provisions, what are the procedures for waiving these requirements, and was Savannah River adhering to these procedures?
5. Please explain why the internal audits supplied to DOE were supplied to the Savannah River Financial Evaluation Team, but not to the Contract Management Division and, in particular, not to the official in charge of WSRC oversight. Who was responsible for this decision?

6. What has DOE done to ensure the current management and operations contract holder, Savannah River Nuclear Solutions, fully adheres to and is compliant with all contract provisions, including the internal audit function? Please provide documents substantiating any corrective actions.
7. Please provide DOE analysis and reviews of WSRC internal audit functions, including, but not limited to, any assessment of WSRC internal audit adherence to internal written procedures relating to the performance and documentation of its internal peer reviews and supervisory reviews.
8. What corrective actions with regard to WSRC internal audit have been identified and initiated? Has DOE verified that corrective actions have been effectively implemented and, if so, provide that verification?
9. Please identify the names, titles, and offices of WSRC officials who represented the contractor in any and all negotiations concerning implementation of the internal audit provisions of the Department Acquisition Letter AI-2005-04.

Please provide the written responses and documents requested by no later than four weeks from the date of this letter. We would respectfully request, if the Department withholds any documents or information in response to this letter, that a Vaughn Index or log of the withheld items be attached to the response. The index should list the applicable question number, a description of the withheld item (including date of the item), the nature of the privilege or legal basis for the withholding, and a legal citation for the withholding claim.

Should you have any questions, please contact Peter Spencer of the Minority Committee staff at (202) 225-3641.

Sincerely,



Joe Barton
Ranking Member



Greg Walden
Ranking Member
Subcommittee on Oversight and Investigations

cc: The Honorable Henry A. Waxman
Chairman

The Honorable Bart Stupak
Chairman, Subcommittee on Oversight and Investigations