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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

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November 20, 2014

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro,

Over the past decade, there have been a number of high-profile incidents involving fraudulent activity by contractors at the Department of Energy (DOE). For example, between 2003 and 2008, contractor employees at DOE's Hanford site made hundreds of fraudulent purchases using government purchase cards and solicited, received, and accepted kickbacks.¹ In this case, the contractor had been alerted to weaknesses in its purchase card controls but failed to address these weaknesses.² In another incident at the Hanford site, contractor employees overbilled the government for the number of hours they worked over a period of several years.³ To settle these allegations, the contractor agreed to pay \$19 million and admitted to knowingly submitting false claims and paying and receiving kickbacks.⁴ In addition, the DOE Office of Inspector General has reported on numerous cases of fraud, including, most recently, a case where a subcontractor and former state grants administrator conspired to submit fraudulent documents and make false claims to obtain approximately \$2 million in Recovery Act funds.⁵

Given DOE's inadequate oversight of its contractors, I am interested in how DOE manages its risk of fraud. I am aware that DOE relies on its Office of the Chief Financial Officer to provide effective management and ensure financial integrity of the department's programs, activities, and resources. In addition, DOE looks to the Inspector General to help the department detect and prevent fraud, waste, abuse, and other irregularities. I also understand that DOE relies

¹ Department of Energy Office of Inspector General, *Semiannual Report to Congress: October 1, 2013 – March 31, 2014*, DOE/IG-0065 (April 28, 2014).

² Settlement Agreement (June 17, 2011) *U.S. v. Fluor Hanford, Inc.*

³ Non-Prosecution Agreement (March 6, 2013) *U.S. ex rel. Schroeder v. CH2M Hill* (online at <http://www.contractormisconduct.org/index.cfm/1,73,222,html?CaseID=1829>).

⁴ Settlement Agreement (March 6, 2013) *U.S. v. CH2M Hill Group, Inc.*; Non-Prosecution Agreement (February 28, 2013) *U.S. v. CH2N Hill Companies Ltd. et al.*

⁵ Department of Energy Office of Inspector General, *Semiannual Report to Congress: October 1, 2013 - March 31, 2014*, DOE/IG-0065 (April 28, 2014).

heavily on its contractors and their internal audit organizations to self-police and provide assurances that their internal controls will prevent and detect fraud.

Despite these procedures adopted by DOE, incidents of fraud continue to occur, and there does not appear to be any transparent accounting of DOE's oversight—especially when it comes to DOE's reliance on contractors to self-police. For example, it appears that there is little known about the size or staff qualifications of the internal audit organizations used by DOE contractors or the types of audit techniques that they employ. And, while all organizations are subject to fraud risks, it is unclear whether DOE has the kind of robust fraud risk management programs in place that are more likely to prevent and detect fraud, including advanced analytic techniques.⁶

Therefore, I request that the U.S. Government Accountability Office assess DOE's processes, programs, and practices for managing the risk of fraud. I specifically request that the review address the extent to which DOE has implemented a fraud risk management program and the role contractors play in fraud risk management, and whether DOE and/or its contractors use advanced analytics to detect fraud, and if so, the methods employed.

I appreciate your assistance and consideration of this request. Please contact Margaret Daum with the Subcommittee staff at (202) 224-7155 with any questions. Please send any official correspondence related to this request to Kelsey Stroud at Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Financial and
Contracting Oversight

cc: Ron Johnson
Ranking Member
Subcommittee on Financial and
Contracting Oversight

⁶ See, e.g., The Institute on Internal Auditors, *IIA Guidance on Fraud* (online at <https://na.theiia.org/standards-guidance/topics/pages/fraud.aspx>) (accessed October 2, 2014).