# U.S. Department of Energy
# Office of Inspector General

Statement
of
The Honorable Teri L. Donaldson, Inspector General
U.S. Department of Energy

before the

U.S. House of Representatives
Committee on Science, Space and Technology

April 19, 2023

## Introduction

Chairman Lucas, Ranking Member Lofgren, and members of the committee:

Thank you for inviting me to testify about the risks of fraud, waste and abuse that arise from four recent pieces of legislation—the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), the CHIPS and Science Act (CHIPS Act), and the 2023 Consolidated Appropriations Act's Puerto Rico Energy Resilience Fund, which collectively authorized or appropriated over $128 billion to the Department, and increased the Department's loan authority to an estimated $350 billion. I will address both the more general risk factors arising from these four pieces of legislation, and the more specific risk factors associated with grant[1] fraud and procurement fraud. I will also address the preliminary steps that my office is taking to minimize fraud, waste and abuse, even while my office is waiting for additional funding to more appropriately address these issues.

## Overview of Recent Legislation

- IIJA — appropriated more than $62 billion over five years to the Department and made most of those funds available through fiscal year (FY) 2031. The Department is required to stand up 60 new programs, including 16 demonstration and 32 deployment programs, and expanded funding for existing research, development, demonstration, and deployment programs. To lead these projects, the Secretary of Energy created a new Under Secretary for Infrastructure in February 2022.
- IRA — appropriated $35 billion for various Department programs, with funding available for various lengths of time—some funding expires between FY 2026 and FY 2031, while

[1] For purposes of the document, the term "grants" includes cooperative agreements. Both grants and cooperative agreements deliver federal funds to recipients. With cooperative agreements, the federal government may be more involved in guiding or participating in project activities.

other funds are available until expended. IRA resulted in the creation of 15 new programs, and significantly expanded the Department's loan authorities such that the total of all existing Department loan authorities, including those contained in IIJA and IRA, is now estimated at $350 billion.

- The CHIPS Act — authorized $67 billion in spending for the Department's Office of Science, and many other research and development projects at the Department's national laboratories. Of this $67 billion, $30.5 billion represents an expansion of their existing authorization.
- The 2023 Consolidated Appropriations Act — Congress added $1 billion to the Department's appropriations to provide grants to the Puerto Rico Energy Resilience Fund to build energy system resilience to major natural disasters. A new program was established under the Grid Deployment Office for this effort.
- To put these numbers into context, the Department's FY 2022 budget was $44.3 billion. The four statutes referenced above authorized or appropriated over $128 billion to the Department and increased the Department's loan authority to approximately $350 billion.

## Impact of Recent Legislation

Before addressing some of the risks associated with this unprecedented expansion in the Department's funding and mission, I note that the Department was already charged with a high-risk portfolio prior to the passage of these pieces of legislation. Approximately 90 percent of the Department's budget goes to contractors, and on average 30 percent of that is further disseminated to subcontractors. Additionally, the Department is the only Federal agency utilizing Management and Operating Contractors, which creates another level of complexity for oversight. Furthermore, the Government Accountability Office's "High Risk List" includes two items pertaining to the Department: 1) "Contract and Project Management for the National Nuclear Security Administration and Office of Environmental Management," and 2) "U.S. Government's Environmental Liability."

Numerous reports issued over the years by the OIG and the Government Accountability Office have noted the Department's lack of oversight resources in particular areas. These reports typically include the Department's concurrence that it lacked the resources to accomplish the internal controls referenced in the particular reports. I'll discuss a few of these historic reports in a moment.

It is against this backdrop that the new funds, over $128 billion in authorizations and appropriations, and $350 billion in loan authority, will move through the Department. Inevitably, many program-specific risks will emerge and create enormous challenges for the Department. This will happen over time. Some of the immediate risks arise from:

- <u>New programs</u>. Between IIJA and IRA, there are $83.6 billion dollars going into 71 new programs for the Department. New programs raise immediate concerns such as acquiring and training expert staff and developing effective internal controls. New programs push funding through untested processes and newly designed and untested internal controls. While the tremendous expansion of existing programs may raise similar issues, at least the existing programs have some well of institutional knowledge to draw upon.
- <u>Fast moving money</u>. History has taught us that the Federal Government has often balanced the "need for speed" against the need for thoughtful internal controls in a manner that has resulted in the loss of billions of dollars to fraud, waste, and abuse. The most recent examples come from Federal pandemic relief efforts. On March 23, 2023, the PRAC released its latest findings, which included over $3.6 billion paid from the Paycheck Protection Program to individuals listed with the Department of Treasury's

"Do Not Pay" system. In addition, the PRAC noted over $3.5 billion in Economic Impact Payments were paid to individuals using the identities of deceased people. These staggering losses should give all of us pause. While the Department has stated that its new funding will not be released at the same speed that the pandemic funding was released, the Department has also publicly stated its sense of urgency to move these funds along to their intended purposes. The Department is therefore at risk that it may fall into a "pay and chase" model of oversight that may result in substantial losses.

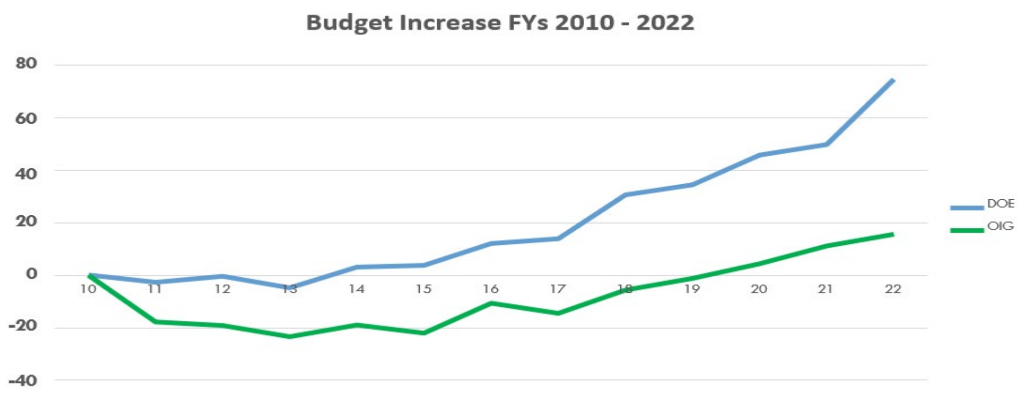
To date, the Department has:

- Made $37.8 billion available through Funding Opportunity Announcements from IIJA (availability of funds is subject to the funds received annually);
- Awarded or selected to negotiate $11 billion in funding from IIJA, this includes formula funding and negotiations in process;
- Made $7.1 billion available through Funding Opportunity Announcements from IRA; and
- Awarded or selected to negotiate $1.6 billion in funding from IRA, this includes formula funding and negotiations in process.

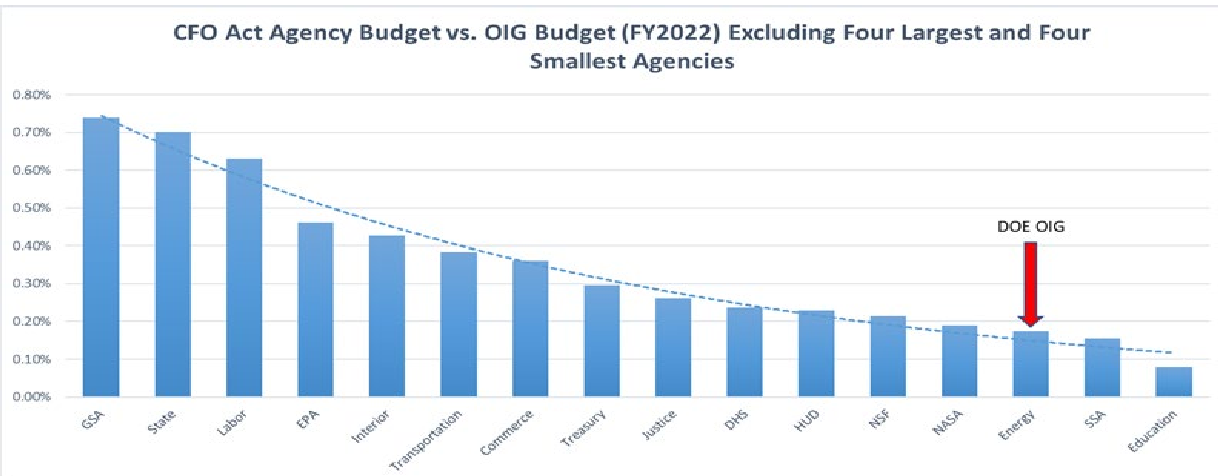
The Department is still in the early stages of formation of its FY 2024 budget; however, at this time, the Department estimates its consolidated obligation under the new legislation to be approximately $30 billion in FY 2024.

- Significant increase in grants, especially awards to states, local government, and tribes. As much as $52 billion of IIJA funding, or over 83 percent, will be disbursed via grants, much of which may be awarded to states, local governments, and tribes. This is particularly significant because in FY 2021 the Department disbursed only $3.9 billion via grants. As this money is awarded to these entities, it is then further dispersed to subrecipients. It is not yet clear whether the states, local governments, or tribes are equipped with sufficient staffing, are adequately trained, or have adequate internal control systems in place to protect these funds. It is also not apparent whether these entities may utilize an adequate amount of the awarded funds for local oversight efforts. In any case, the passing of these funds to others does not remove the Federal nature of the expenditure or excuse Federal oversight. It does increase risk.

- Compounded risks. Some of the Department's programs face all of these risks at the same time—new programs, fast money, and awards to entities that may be unprepared to oversee the funds.
- Lack of adequate funding for Department's oversight efforts. IIJA included a small reservation of 3 percent of funding for administrative costs for many of the Department's programs. IRA appears to have given the Department some additional flexibility on administrative expenses, but these matters have not yet been resolved by the Department. I note that "administrative" expense is a broad category that includes the funds needed to move the program specific dollars out the door, but it may leave little budget for the oversight needed to ensure that the funds arrived, as intended, by Congress. For this reason, I support any efforts by the Department to acquire or direct appropriate levels of funding to its oversight mission.
- Lack of adequate funding for the DOE OIG. Prior to the passing of the four pieces of legislation discussed above, the DOE OIG was already significantly underfunded. The following chart demonstrates the decline of OIG funding with respect to the growth of the Department's budget prior to the passing of the recent legislation:




The next chart provides a glance of Inspector General funding for all the Chief Financial Officers Act agencies as of FY 2022:




To further exacerbate the historic underfunding issue, the DOE OIG received only $62 million, or .10 percent of the funding provided to the Department, over a 5-year period under IIJA to provide oversight for these new infrastructure projects. When compared to other OIGs that received money under IIJA, we were again substantially underfunded as shown in the table below.

| | IIJA Agency Funding | IIJA OIG Funding | OIG Percent of Agency Funding |
|---|---|---|---|
| EPA | $61billion | $269 million | 0.44% |
| HHS | $4 billion | $17 million | 0.44% |
| DOI | $28 billion | $99 million | 0.35% |
| USDA | $8 billion | $27 million | 0.34% |
| DHS | $8 billion | $20 million | 0.25% |
| DOE | $64 billion[1] | $62 million | 0.10% |

[1] The DOE amount of $64 billion includes $62.5 billion plus 3.2% of $46.6 billion in loans and loan guarantees authorized in IIJA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

Also, IRA appropriated only $20 million to the OIG, or .05 percent of the funding provided to the Department, to oversee those programs. Notably, there was no provision for the DOE OIG in the CHIPS Act, or for the OIG in the Puerto Rico Energy Resilience Fund. The chart below shows the OIG-estimated immediate oversight funding shortfall related to IIJA, IRA, and the Puerto Rico Energy Resilience Fund.

| Bills | DOE | OIG | Percent OIG to DOE | OIG Estimated Requirements 0.35% | OIG Funding Shortfall |
|---|---|---|---|---|---|
| IIJA[1] | $64B | $62.5M | 0.10% | $224.8M | $162.3M |
| IRA[2] | $44B | $20.0M | 0.05% | $155.6M | $135.6M |
| PR-ERF | $ 1B | $ 0.0M | 0.00% | $ 3.5M | $ 3.5M |
| **Total** | **$109B** | **$82.5M** | **0.08%** | **$384.0M** | **$301.4M** |

[1] The DOE amount of $64 billion includes $62.5 billion plus 3.2% of $46.6 billion in loan and loan guarantee authorized in IIJA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

[2] The DOE amount of $44 billion includes $35 billion plus 3.2% of $290 billion in loan and loan guarantee authorized in IRA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

You will note that this estimated shortfall of $301.4 million is a first installment. For example, it does not include the CHIPS Act. As the $30.5 billion in new CHIPS Act funding is appropriated to the Department, I will be seeking .35 percent of those funds to conduct appropriate oversight.

I arrived at .35 percent by examining FY 2022 funding levels for the OIGs of the Chief Financial Officers Act agencies, and by examining the more current funding of the OIGs impacted by IIJA, the CHIPS Act, and IRA. The .35 percent falls into the mid-range. Given the significant risks for the Department, this percentage may be too low. However, it is a starting point, and much needed.

As you may know, I am currently working with both Congress and the Office of Management and Budget to correct this funding shortfall problem for the OIG. We have cautioned that the continued and compounded dilution of OIG funding will result in insufficient oversight of both existing programs and the many newly established infrastructure and energy programs. Without additional funding, critical pre-existing areas such as research security, contracting and payment integrity, stockpile stewardship, environmental cleanup, and pit production—to name a few—will not receive appropriate OIG oversight. Moreover, with regard to the new funding, the OIG will not be able to provide the near-term audit and inspection assistance that the President has specifically requested to minimize the longer-term impacts from the large-scale frauds that often plague Federal programs providing such funding on an expediated timeline.

We are making some progress. The President's FY 2024 Budget includes \$165.2 million for the DOE OIG to be used until expended. If the President's Budget is enacted as is, it would leave a remaining shortfall of \$16.8 million in our base budget, and a remaining shortfall of \$301.4 million dollars to oversee IIJA, IRA, and the Puerto Rico Energy Resilience Fund.

The President has also issued a statement identifying \$150 million in funding to assist under-resourced Inspectors General and named my office as one of those OIGs. The

Administration, however, has not yet announced the amount of this funding that might be allocated to the DOE OIG, if the funds are authorized by Congress.

Given the longevity of the programs established and expanded under these four pieces of legislation, it is critical that the DOE OIG receive appropriations in the form of no-year funds. No-year funding would allow the DOE OIG to adequately plan our resources over the entire period that the funds will be expended by the Department and continue to investigate the fraud matters that will be discovered and prosecuted for many years to come.

## OIG Efforts to Date

Since the passage of IIJA, the OIG has conducted 180 fraud awareness briefings reaching more than 5,700 Federal employees, contractors, grantees, external auditors, law enforcement, as well as state, local government, and tribal representatives. We have also worked closely with other OIGs who have received funding under these pieces of legislation to identify risks and best practices. I am currently serving as the co-chair of the Council of the Inspectors General on Integrity and Efficiency's IIJA Working Group.

Since early 2022, my office has held more than 27 meetings with senior Department leadership to pose questions to them regarding the new programs, and to identify risks the OIG has reported during the performance of prior work. In this way, we have safeguarded our independence, while helping the Department to identify areas of potential risk. We have also used these meetings to reemphasize the importance of Departmental oversight to help prevent and detect fraud, waste, and abuse. In January 2022, the OIG identified pertinent historic reports and discussed those with the Department. These reports provided analyses of "lessons learned" and suggested approaches for reducing the risks associated with the extraordinary level of new funding. These reports are listed below:

- *The IG Community's Joint Efforts To Protect Federal Grants From Fraud, Waste, and Abuse*, CIGIE, January 2021. This report provided a broad overview of steps to prevent grant fraud.

- Special Report on *The American Recovery and Reinvestment Act at the Department of Energy* (OAS-RA-09-01, March 2009). Drawing from similarities to the Recovery Act era, this report provides insights into early steps that leadership can take for a new or major expansion of Federal programs.

- *Special Report: Lessons Learned/Best Practices during the Department of Energy Implementation of the American Recovery and Reinvestment Act of 2009* (OAS-RA-12-03, January 2013). This report served as a capstone for issues identified during the Recovery Act era that we concluded has broad applicability to today's context.

Additionally, between April and August 2022, the OIG issued four capstone reports summarizing previous work. These reports targeted specific programmatic areas that will receive substantial funding under the new legislation. The recurring themes in these reports include insufficient Federal staffing, inadequate oversight of projects, and a lack of accountability and transparency. Below are the four reports:

- *Special Report: Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program* (DOE-OIG-22-30, April 29, 2022).
- *Special Report: Prospective Considerations for the Loan Authority Supported Under the Loan Programs Office to Improve Internal Controls and Prevent Fraud, Waste, and Abuse (*June 10, 2022; DOE-OIG-22-34).

- *Special Report on Prospective Considerations for Clean Energy Demonstration Projects* (August 17, 2022; DOE-OIG-22-39).
- *Special Report on Prospective Considerations for Projects Awarded Through Financial Assistance Awards* (August 17, 2022; DOE-OIG-22-40).

The last of these reports focused on grants and identified six major risk areas based on prior audits, inspections, and investigations that warrant immediate attention and consideration from Department leadership to prevent similar problems from recurring. The issues include recipient fraud; insufficient Federal staffing; inadequate oversight of projects; circumvention of project controls; inadequate internal controls; and lack of recipient-level controls.

The OIG has also launched a data collection and monitoring project to begin to collect and analyze oversight information from the Department related to the following five major programs:

1. Office of Clean Energy Demonstrations (OCED) – The scope of oversight for OCED will cover the major projects including Advanced Reactors; Carbon Capture projects; Regional Clean Hydrogen Hubs; and other major projects.
2. Loan Program Office (LPO) – The scope of oversight for LPO will cover loan authorities, as authorized in IIJA and IRA, in areas to include Innovative Clean Energy loan guarantees for both fossil and nuclear energy; Advanced Technology Vehicle Manufacturing loans; Energy Infrastructure; Tribal Energy; and others.
3. Grid Deployment Office (GDO) – The scope of oversight for GDO will cover programs including Enhancing the Resilience of the Electric Grid; Innovative Grid Resilience Program; Transmission Facilitation Program; Smart Grid Grants; Modeling and Assessing Energy Infrastructure Risk; Civil Nuclear Credit Program; Hydroelectric Production Incentives; and other major projects.

4. Office of State and Community Energy Programs (SCEP) – The scope of oversight for SCEP will cover programs including the State Energy Program; Weatherization Assistance Program; Energy Efficiency and Conservation Block Grant Program; Training programs; and Energy Efficiency programs.
5. Office of Manufacturing and Energy Supply Chains (MESC) – The scope of oversight for MESC will cover programs to include: Advanced Energy Manufacturing and Recycling Grant; Battery and Battery Recycling programs; Rebate programs for Energy Efficient Transformers and Extended Product Systems; Industrial Research and Assessment Centers; Rare Earth Elements Demonstration Facility; and State Manufacturing Leadership.

As additional funding becomes available to the OIG, the data collection and monitoring project will be expanded to include additional programs. The data collection and monitoring project is designed to produce leads for audits, inspections, evaluations, and investigations. However, the OIG's ability to actually conduct these audits, inspections, evaluations, and investigations will be determined by the amount of funding it receives to do so. There is no amount of planning or coordinating that will replace having the resources (i.e., the people and technology) to conduct these projects.

## Data Analytics

Data analytics is a crucial oversight tool to help detect fraud and waste, and its particularly effective to detect procurement and grant fraud schemes. For example, data related to contract claims may be examined to identify anomalies related to the frequency or amount of claims or pricing that appear inconsistent with expected norms. We are building innovative automated tools that identify and pursue anomalies and will serve to focus the resources of our human elements on those matters most likely to achieve the greatest results. We are analyzing high-risk areas such as labor, pay, grants, subcontracts, and contracts to validate risk models and identify specific high-risk anomalies. We are taking steps to integrate financial, operational, and performance data to assess and identify risks. We are working closely with the PRAC to borrow from its successful and data driven oversight activities. Our data analytics team has already had much success, but more needs to be done.

I hope to continue to expand and develop the data analytics capability of the OIG by making investments in information technology and innovations. Now more than ever, the OIG needs efficient and economical tools to better identify, prioritize, and develop issues that support risk-based prioritization for our audits, inspections, evaluations, and investigations. Strengthening our data analytics capabilities and gaining access to required authoritative Federal and contractor data remains a key priority, especially as we perform oversight of the four pieces of legislation discussed today.

## Grant Fraud

IIJA and IRA provide up to $52 billion in potential new grants on top of the normal FY 2021 annual appropriations of $4.1 billion for these types of awards. The Government relies too heavily on the honesty and due diligence of individuals and entities when they apply for the grant funding, certify that they have followed the terms and conditions, make requests for grant payments, and submit narrative progress and final reports to the granting agency. Grant fraud, waste, and abuse most commonly occur at the recipient or sub-recipient levels and often include some form of lying, cheating, or stealing. Recipients may make false statements in their applications and may make false claims for funds. Recipients may also have conflicts of interest resulting from undisclosed "related party" transactions. Theft or other forms of corruption by an employee of a grantee is one of the most common occurrences. Since 2019, the DOE OIG has opened 55 grant fraud investigations, which have already resulted in ten indictments. Below are some recent examples of grant fraud schemes involving the Department:

**Sentencing and Administrative Actions in Grant Fraud Investigation.** In September 2022, the owner of a scientific research company, a former Department grantee, was sentenced to 42 months in prison, restitution in the amount of $1,548,255, an assessment fee of $300, and 3 years of supervised release. The U.S. District Court Judge also ordered the forfeiture of 11 seized accounts, real property, and a money judgement of $1,548,000. Additionally, a co-owner of the scientific research company, which had received approximately $1.2 billion in Department Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grant awards, and three other scientific research companies, were debarred from any Federal contracts, subcontracts, assistance agreements, or subcontracts requiring Government approval for a period of 3 years. The investigation determined that the owner received approximately $500,000 in Kentucky State matching funds, in addition to Department SBIR/STTR funding, and the company provided false information in their Department proposals and subsequent close-out documents. The owner was found guilty by a jury in the U.S. District Court for the Eastern District of Kentucky on one count of Conspiracy to Commit Wire Fraud, one count of Wire Fraud, and one count of Money Laundering. This is an ongoing joint investigation with the Environmental Protection Agency OIG and the Defense Criminal Investigative Service. The DOJ press release for the owner's sentencing can be found here.

**Settlement Agreement in Qui Tam Investigation.** In November 2022, a Department SBIR/STTR grant recipient entered into a Settlement Agreement in which the company agreed to pay $411,050 to the Department in restitution. At the time of the settlement, the grantee had been awarded four SBIR/STTR awards from the Department worth nearly $5 million. The investigation stemmed from a Qui Tam action filed by a former employee at the grant recipient company, which alleged that the grantee submitted false claims on Department awards to obtain funds for labor costs of employees for time they spent working on private commercial projects. The investigation determined that the president of the grantee company directed employees to charge time worked on private projects against Department awards and draw down remaining funds from those awards. The Department also issued an Administrative Compliance Agreement to the company requiring the company to implement a Contractor Responsibility Program.

**Suspension in Grant Fraud Investigation.** In October 2022, in response to an OIG investigation, the U.S. Army suspended a Department grantee and company from receiving Federal funds or contracts. The District Attorney's Office for Salt Lake County, Utah, filed a six-count Information charging a Department STTR grant recipient with one count each of: Misuse of Public Money, Unlawful Dealing of Property by a Fiduciary, Communications Fraud, Theft, Theft by Deception, and Pattern of Unlawful Activity. The OIG investigation determined the grantee billed the Department and the U.S. Army for fringe benefits that were never paid to employees. The loss to the Government was approximately $367,805. This is an ongoing joint investigation with the U.S. Army Criminal Investigations Command Major Procurement Fraud Unit.

## Grant Fraud Safeguards

Some of the safeguards that help ensure that grant dollars are used as intended include:

- Grantor and recipient internal controls. Perhaps the Achilles heel of the Federal grants process is the lack of robust internal controls at both the grantor and the recipient level. Recipients must have properly designed, implemented, tested, and updated key internal controls related to payroll, credit card use, claims submitted to a grantor agency, and other high-risk processes.

- Pre-award due diligence. Grantors must conduct appropriate due diligence to verify the information contained in grant applications. Another challenge here is coordinating with other Federal agencies that might fund similar or overlapping projects to the same applicant.

- Audits, including "Single Audits." 2 CFR 200 requires that recipients spending more than $750,000 in Federal funds must undergo an annual audit by an independent auditor. Commonly called "Single Audits" or "A-133 Audits," these efforts are designed to help ensure that recipients have, and are maintaining, adequate accounting systems and effective internal controls. It is critical that these independent audits are conducted. It is also critical that the granting agency monitor such compliance and follow up on the issues identified by these, and other audits.

This oversight framework is only effective if it is implemented and overseen appropriately by granting agencies. We have identified instances in which the Department could improve its oversight in this area. For example, a March 13, 2023, Department OIG audit found that the Department's Office of Science failed to ensure that required annual audits of for-profit recipients of Small Business Innovation Research grants had been completed. Award expenditures totaling $56,835,650 that were not audited as required, exposed the Department to an increased risk of fraud, waste, and abuse. Additionally, many grantees spend large amounts of funds procuring goods and services, which raises procurement fraud risks, which I will discuss below.

## Procurement Fraud

Aside from the new funding, the Department was already at risk for procurement related fraud. The Department is the largest civilian contracting entity in the U.S. Government. The

Department is also the leanest contracting Federal agency, with approximately 90 percent of its budget "passing through" to its contractors and grantees. The use of Management and Operating contractors and the overall disbursed nature of the Department's procurement process increases the risk of procurement related fraud and waste because the Department is relying heavily on third parties to properly award and oversee a sizable portion of the Department's budget.

Procurement actions present a wide range of fraud and waste challenges such as:

- Poorly defined requirements. Every procurement action should begin with clearly defined and objective requirements to ensure that the goods or services are indeed necessary, and to promote full and open competition.
- Corruption. Department and contractor employees have access to sensitive procurement data, that if improperly shared may result in fraud and waste as the Department spends more than necessary for goods or services.
- Inadequate contract oversight. Once a contract is awarded, the party taking the procurement action, whether it be the government or a contractor, must dedicate appropriate resources to ensure compliance with all contract terms and conditions.
- False invoices. There is always a risk that invoices submitted to the Government might be false, misleading, or incorrectly calculated.
- Product substitution. The Department procures raw materials, parts, and equipment that must meet exacting specifications—counterfeit or other substandard items may impact national security, create safety risks, or result in fraud.

Below are some recent examples of the types of schemes uncovered by the DOE OIG:

**Trial Conviction for Subcontractor's Theft of Pricing Data.** In May 2022, a former Department subcontractor at the Strategic Petroleum Reserve was convicted in Federal court of engaging in a 14-year scheme to corruptly win contracts totaling approximately $9 million. In order to receive these awards, the individual conspired with others to obtain non-public Government pricing information in advance of submitting its proposals.

**Prison Sentence in Employee Corruption Scheme.** In June 2022, a former Western Area Power Administration contractor was sentenced to 55 months in Federal prison for his involvement in a $879,392 corruption scheme. An OIG investigation found that the contractor enlisted the assistance of friends and family members to create various shell companies which were in turn used to submit fraudulent invoices to the Western Area Power Administration for goods which were never provided to the Government.

**Settlement for Undelivered Goods.** In March 2022, MOX Services LLC, a Department contractor at the Savannah River Site, entered into a $10 million Civil Settlement with the United States Department of Justice (DOJ) to resolve a Federal False Claims Act lawsuit. The OIG investigation determined that MOX Services LLC allowed Wise Services Inc., a subcontractor, to process and receive payment for thousands of invoices, totaling more than $6.4 million, for materials that were neither necessary nor delivered to NNSA.

## Research Security

"Research security" threats are broadly defined as a wide range of efforts by foreign governments to obtain U.S. Government-funded research data and results, which drive innovation. Research security may impact national security and may result in substantial losses of federal resources. Research security is a great concern for all Department and NNSA laboratories, and it may impact the entire portfolio of Department grants. The OIG has conducted a number of investigations related to the theft of intellectual property, violations of grant terms and conditions, and other violations. In fact, 35 percent of the grant fraud cases currently open are related to research security. Below is one example:

**Failure to Disclose Affiliation with Chinese University.** A recent investigation conducted jointly by the DOE OIG and the National Science Foundation OIG found that a principal investigator at the University of Kansas created a scheme to defraud the Government by failing to disclose on grant proposals to the Department an existing affiliation with, and contractual obligations to, a Chinese university. The grant recipient also failed to disclose this conflict of interest to the University of Kansas. A DOJ press release from the conviction can be found here.

Another challenge in the research security arena are instances in which a foreign company—with or without the direct support of a foreign government—steals U.S. taxpayer-funded research or intellectual property and illegally exports it overseas. This activity harms U.S. innovation efforts, damages our economy, and violates the intent of these programs. This is an especially concerning risk as IIJA is funding significant numbers of clean energy and other innovations that foreign companies might seek for their own benefit.

Just last month, in March 2023, the Department announced that it is creating a new "Research Technology and Economic Security Vetting Center" to assist with, and streamline, implementation of required security-related considerations.

## Procurement Collusion Strike Force

In November 2022, I joined the U.S. Department of Justice Antitrust Division's "Procurement Collusion Strike Force" as a national law enforcement partner to combat antitrust crimes and related schemes in Government procurement, grant, and program funding at all levels of government—Federal, state, and local. The Strike Force brings together the DOJ Antitrust Division; state Attorneys General; Federal, state and local offices of inspectors general; and other Federal agencies such as the Department of Defense and the Federal Trade Commission.

As the largest civilian contracting entity in the Federal Government, the Department faces substantial risks of bid-rigging, price fixing, and other similar illegal activities. Many of the Department's procurements involve a limited field of competitors, highly specialized items, cyclical or repetitive contracts, or facilities located in remote areas, all of which are high risk indicators for collusion and antitrust violations.

The OIG is also staffing two new attorney positions to serve as Special Assistant U.S. Attorneys in U.S. District Courts across the country to improve our nationwide coverage of a broad range of criminal matters.

## Closing Remarks

I would like to recognize the key role that bipartisan efforts of Congressional oversight Committees have played over the years in advancing Government transparency and program integrity. We are all aware of the important work that congressional committees have done with Inspectors General over the years. Thank you for your continued support for the independent oversight work performed by my office and by the Inspector General community. We look forward to continuing to work on behalf of the taxpayers to ensure that Federal infrastructure and energy programs are operating effectively and efficiently, and to prevent and detect fraud, waste, and abuse. I appreciate the opportunity to testify here today, and I look forward to answering your questions.