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# Highlights

Highlights of [GAO-07-888](#), a report to the Subcommittee on Energy and Water Development, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

In December 2000, the Department of Energy (DOE) awarded Bechtel National, Inc. (Bechtel) a contract to design and construct the Waste Treatment Plant (WTP), one of the largest nuclear waste cleanup projects in the nation. Originally expected to cost \$4.3 billion and be completed in 2011, DOE now estimates that WTP will cost over \$12.2 billion and be completed in late 2019. Weaknesses in DOE's management and oversight of contractors led GAO to designate DOE contract management as a high-risk area since 1990. GAO was asked to determine whether

- (1) DOE's internal controls are designed to provide reasonable assurance against improper WTP payments and
- (2) DOE's controls reasonably ensure proper accountability for WTP assets.

GAO reviewed fiscal year 2005 and 2006 internal controls by analyzing data and documents, interviewing DOE and contractor staff, and physically observing property items.

## What GAO Recommends

GAO makes 11 recommendations to DOE to (1) establish effective invoice review procedures based on the WTP contract's risks, (2) periodically assess the WTP contractor's property management program, and (3) direct the WTP contractor to establish controls to improve accountability for property. While DOE agreed with one recommendation, it also stated its controls were adequate. GAO disagrees.

[www.gao.gov/cgi-bin/getrpt?GAO-07-888](http://www.gao.gov/cgi-bin/getrpt?GAO-07-888).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda Calbom at (206) 287-4809 or [calboml@gao.gov](mailto:calboml@gao.gov).

# HANFORD WASTE TREATMENT PLANT

## Department of Energy Needs to Strengthen Controls over Contractor Payments and Project Assets

### What GAO Found

DOE's internal controls over payments to contractors on its WTP project did not provide reasonable assurance against the risk of improper contractor payments, particularly given the project's substantial inherent risks. Several factors combined to pose a risk of improper payments on this project, including the size and complexity of this one-of-a-kind nuclear construction project, escalating cost and schedule estimates, and the thousands of charges Bechtel billed to DOE on each invoice. Despite the risks, in fiscal years 2005 and 2006 DOE performed little or no review of contractor invoices or supporting documents for the \$40 million to \$60 million in charges that Bechtel billed to DOE each month to help ensure the validity of these charges. Instead, DOE officials relied primarily on the Defense Contract Audit Agency's reviews of Bechtel's corporate-wide financial systems and on Bechtel's reviews of subcontractor charges for assurance that the charges were proper. DOE's heavy reliance on others, with little oversight of its own, exposed the hundreds of millions of dollars it spent annually on the project to an unnecessarily high risk of improper payments.

DOE also did not adequately oversee the contractor to ensure accountability for assets purchased with WTP contract funds, relying primarily on the contractor to manage such government property without ensuring the adequacy of the contractor's controls. We found numerous internal control weaknesses with Bechtel's property management program, including poor segregation of duties, property system errors, and inadequate property procedures. For example, Bechtel did not timely prepare and submit required reports of lost or damaged property, taking up to 2 years in some instances to report missing assets, such as computers, to DOE. Bechtel also did not always review subcontractors' property management policies and procedures as required or follow up on subcontractor weaknesses it identified to help ensure that its subcontractors adequately managed and safeguarded WTP property in their possession. These property control weaknesses coupled with the lack of DOE oversight created an environment in which property could be lost or stolen without detection.

### Aerial View of the Hanford Waste Treatment Plant under Construction



Source: DOE.

The Waste Treatment Plant consists of 3 waste processing facilities, an analytical laboratory, and 20 other support facilities. DOE estimates that it will cost over \$12 billion and take almost 20 years to complete.