

INSPECTION REPORT

INSPECTION OF LAWRENCE LIVERMORE NATIONAL LABORATORY PROFESSIONAL RESEARCH OR TEACHING LEAVE



U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF INSPECTIONS

JULY 1999

July 9, 1999

MEMORANDUM FOR THE MANAGER, OAKLAND OPERATIONS OFFICE

FROM: Sandra L. Schneider /s/
Assistant Inspector General for Inspections
Office of Inspector General

SUBJECT: INFORMATION: Report on "Inspection of Lawrence Livermore National Laboratory Professional Research or Teaching Leave"
INS-0-99-02

BACKGROUND

In March 1999, while conducting other Inspection work, the Department of Energy, Office of Inspector General determined that officials at the Lawrence Livermore National Laboratory (Livermore) had authorized and paid 24 months of "Professional Research or Teaching Leave" for two Livermore employees. These employees were research scholars at a local area university during this 24 month period. Professional Research or Teaching Leave is defined as leave to promote the continuing professional growth and competence of employees.

In this case, the leave was authorized and paid in a manner that appears to be inconsistent with the terms and conditions of the Livermore contract with the Department. Specifically, the Livermore Management and Operating Contract in effect at the time stated that such leave was not to exceed 12 months. However, the two Livermore employees were authorized leave for a period that was double that allowed under the contract.

The objectives of this inspection were to determine if the authorization of the 24 months of Professional Research or Teaching Leave for the two Livermore employees was inconsistent with the provisions of the Livermore contract; and if the amount of the leave in excess of the 12 months allowed under the contract constituted an unallowable cost.

RESULTS OF INSPECTION

Actions taken by Livermore management officials in approving the leave for the two Livermore employees were inconsistent with the provisions of the Livermore Management and Operating Contract. Specifically, Livermore officials approved Professional Research or Teaching Leave for two employees for a 24 month period of time rather than the 12 months allowed by the contract. In addition, Livermore officials paid an estimated \$306,152 in unallowable wages and benefits to these two employees for the 12 month period in excess of that allowed by the contract.

We recommended that Oakland take action to recover the \$306,152 in unallowable costs and review the Livermore Professional Research or Teaching Leave program to determine if there are other situations where such leave has been granted in violation of the contract provisions.

MANAGEMENT REACTION

Management concurred with the finding and recommendations and is planning to take the recommended actions.

cc: Director, Office of Science
Leader, Audit Liaison Team, CR-2

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Overview

INTRODUCTION AND OBJECTIVE

In March 1999, while conducting other Inspection work, the Office of Inspector General determined that officials at the Lawrence Livermore National Laboratory (Livermore) had authorized and paid 24 months of “Professional Research or Teaching Leave” for two Livermore employees. These employees were research scholars at a local area university during this 24 month period. Professional Research or Teaching Leave is defined as leave to promote the continuing professional growth and competence of employees.

In this case, the Professional Research or Teaching Leave was authorized and paid in a manner that appears to be inconsistent with the terms and conditions of the Livermore contract with DOE. Specifically, the Livermore Management and Operating Contract in effect at the time stated that such leave was not to exceed 12 months. However, the two Livermore employees were authorized leave for a period that was double that allowed under the contract. The current contract also limits the length of allowed Professional Research or Teaching Leave to a period not to exceed twelve months.

The objective of this review was to determine if the authorization of the 24 months of Professional Research or Teaching Leave for the two Livermore employees was inconsistent with the provisions of the Livermore contract, and if the amount of leave in excess of the 12 months allowed under the contract constituted an unallowable cost.

OBSERVATIONS AND CONCLUSIONS

Our inspection found that actions taken by Livermore management officials in approving the leave for the two Livermore employees were inconsistent with the provisions of the Livermore Management and Operating Contract. These actions included:

- Livermore officials approved Professional Research or Teaching Leave for two employees for a 24 month period of time rather than the 12 months allowed by the contract.
- Livermore officials paid an estimated \$306,152 in unallowable wages and benefits to these two employees for the 12 month period in excess of that allowed by the contract.

In our opinion, Livermore management did not comply with the terms of the contract. Therefore, the DOE Oakland Operations Office should recover all unallowable costs incurred by Livermore.

Lawrence Livermore National Laboratory Officials Inappropriately Paid Professional Research or Teaching Leave Expenses for Two Employees

Allowability of Professional Research or Teaching Leave

Appendix A, "Personnel Administration," of the Livermore Management and Operating Contract (W-7405-ENG-48) with the Regents of the University of California for the management of the Lawrence Livermore National Laboratory, dated October 1, 1992, states that Professional Research or Teaching Leave is granted to promote the continuing professional growth and competence of employees. Appendix A states that Professional Research or Teaching Leave may be granted "to a limited number of exempt employees" by the Laboratory Director. Appendix A states that "the candidate must be one of professional ability, with a firm plan of study, teaching, or research which is clearly relevant to the interests of the Laboratory and the individual's competence." Appendix A also states that the period of leave may not exceed 12 months.

Review of Livermore Employment and Payroll History Information

A review of Livermore employment history files revealed that two Livermore employees were originally placed on Professional Research or Teaching Leave for a period of 12 months. Their leave began on October 17, 1994, with a return date of October 16, 1995. However, the period of leave was subsequently extended by Livermore officials for an additional 12 months to October 16, 1996. A review of Livermore payroll records for the two individuals revealed that both employees were in a pay status during the 24 month leave time frame, and that their salaries were paid with DOE funds.

The original authorization for the Professional Research or Teaching Leave was 12 months for each employee. Documentation shows that this period of leave was properly authorized by the Laboratory Director. However, a 12 month extension was requested for each employee by a Lawrence Livermore National Laboratory Associate Director. This extension was then authorized by an administrator on the Director's staff without any consideration of the 12 month time limitation in the contract.

The Livermore administrator who approved the 12 month extensions said he did not recall the specific circumstances that resulted in the request for the extensions, but he said it was felt at the time that it was in the best interest of the Laboratory. The administrator said that, to his knowledge, no one from DOE was consulted or otherwise involved in the decision to approve the extensions, and the provisions of the

contract were never raised when the approvals were given. He said that, when the approvals were granted for the 12 month extensions, he considered it a routine matter of continuing something that already existed.

Contract Provisions on Unallowable Costs

Section (d)(8) "Items of allowable cost," of Article VII, Clause 1 "COSTS AND EXPENSES," of the DOE Management and Operating Contract states that Laboratory employee personnel costs and related expenses are allowable if incurred in accordance with the personnel appendix which is incorporated by reference and made part of the contract. Article V, Clause 9(d)(i) "PROCEDURE TO DISALLOW COSTS (SPECIAL)," of the DOE Management and Operating Contract states that if the Contracting Officer determines that a cost is identified as being contractually unallowable, that the University either will pay the cost by check with University funds, or the University may seek relief through the Issues Resolution Process provided by the contract.

DOE Oakland Operations Office Review

As part of this Inspection, the Livermore Contracting Officer at the DOE Oakland Operations Office was requested to conduct a review of records relating to the approval of Professional Research or Teaching Leave. The Contracting Officer said approval of such leave was allowed by the Livermore Management and Operating Contract, that approval was made by the Livermore Laboratory Director, and that DOE Oakland was not required to approve such leave. The Contracting Officer also said she was unaware of any specific DOE approval granted for the two Livermore employees to extend their leave an additional 12 months, for a total of 24 months.

Based upon our review of the contract, the circumstances surrounding the approval of the 12 month extensions, and payroll data shown in Lawrence Livermore National Laboratory documents, we have estimated that the two Livermore employees were paid \$306,152 in wages and benefits during the time period of October 17, 1995, through October 16, 1996. These costs were fully reimbursed by DOE. Given the specific terms and limits contained within the Department's contract with the University of California to manage Livermore, we concluded that these costs were unallowable and that DOE should recover these funds.

RECOMMENDATIONS

We recommend that the Manager, Oakland Operations Office:

1. Take the appropriate action to recover an estimated \$306,152 in wages and benefits paid during the time period of October 17, 1995, through October 16, 1996, for Professional Research or Teaching Leave that was authorized contrary to the provisions of the Livermore Management and Operating Contract. Cost recovery should also include an appropriate amount for interest on the outstanding balance from the date of payment to the Livermore employees to the date of reimbursement to DOE.
2. Review the use of the Livermore Professional Research or Teaching Leave program to determine if there are other situations where such leave has been granted in violation of contract provisions, and take the appropriate action to recover any additional unallowable costs.

MANAGEMENT COMMENTS

The DOE Oakland Operations Office concurred with the findings and recommendations and agreed to take corrective action to recover the total amount due to DOE no later than October 1999. The DOE Oakland Operations Office will also validate the results of a Livermore review of all Professional Research or Teaching Leave provisions for the period from Fiscal Year 1995 through Fiscal Year 1998.

INSPECTOR COMMENT

We consider management's comments to the recommendations to be responsive.

Appendix

SCOPE AND METHODOLOGY

We conducted a limited review of the practices used by the Lawrence Livermore National Laboratory in managing, administering, and funding Professional Research or Teaching Leave for two LLNL employees, with particular emphasis on the allowability of costs. In reviewing these practices, we evaluated:

1. The DOE Management and Operating Contract with the Regents of the University of California for the management of the Lawrence Livermore National Laboratory that was in effect at the time the Professional Research or Teaching Leave was authorized (Contract Number W-7405-ENG-48, dated October 1, 1992).
2. The process used by Livermore to authorize and pay for Professional Research or Teaching Leave.

As part of our review, the Office of Inspections obtained information at the Oakland Operations Office and the Lawrence Livermore National Laboratory. This inspection was conducted during March and April 1999.

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

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