



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Inspection Report

Fixed Monthly Living Expense
Payments at the Lawrence
Livermore National Laboratory

INS-L-11-05


September 2011



Department of Energy
Washington, DC 20585

September 21, 2011

MEMORANDUM FOR MANAGER, LIVERMORE SITE OFFICE

FROM: 
Sandra D. Bruce
Assistant Inspector General
for Inspections

SUBJECT: INFORMATION: Inspection Report on "Fixed Monthly Living Expense Payments at the Lawrence Livermore National Laboratory"

BACKGROUND

The Lawrence Livermore National Laboratory (Livermore) is a Department of Energy (Department) laboratory managed and operated by Lawrence Livermore National Security, LLC, for the Department's National Nuclear Security Administration (NNSA). Livermore's mission is to ensure the safety and security of the nation through applied science and technology in key areas of nuclear security, international and domestic security, and energy and environmental security. In certain circumstances, Livermore utilizes subcontractors to obtain specialized skill sets that are not available locally. To minimize travel expenses, some subcontractors receive fixed monthly living expenses (FMLE), which are negotiated travel reimbursements that provide a fixed monthly payment to cover specified travel expenses. FMLE is also designed to reduce subcontract travel costs by encouraging the subcontractor to obtain long-term, lower cost housing arrangements.

The Office of Inspector General (OIG), Office of Investigations, received a complaint which alleged improper payment of FMLE to certain Livermore subcontractor employees. A subsequent investigation determined that a Livermore subcontractor authorized FMLE payments in the amount of \$181,666 to subcontract employees who claimed and received payments to which they were not entitled. Livermore was able to recover the funds because the subcontractor violated a contract clause which required it to substantiate the eligibility of the lower-tier subcontractor for reimbursements under FMLE. The Office of Investigations subsequently learned that Livermore had other subcontracts with FMLE provisions.

We initiated this review to determine if Livermore had taken action to address FMLE issues identified during the previous investigation and had addressed similar issues that may have existed with other subcontracts.

CONCLUSIONS AND OBSERVATIONS

We found that Livermore had taken actions to address FMLE issues as a result of the investigation. Specifically, Livermore established policies and procedures for the management

and administration of the FMLE process. In addition, Livermore reviewed all subcontracts with FMLE provisions but did not identify any other subcontract employees who claimed and received payments to which they were not entitled.

FMLE Policies and Procedures

We determined that Livermore established policies and procedures for the management and administration of the FMLE process. Prior to the OIG investigation, Livermore did not have formal written policies or procedures specifically relating to FMLE. However, in March 2010, Livermore issued Procurement Standard Practice 31.4, *Long-Term Travel Costs*, which describes the allowability of subcontractor long-term travel costs, including FMLE. The policy states that to be eligible for FMLE, a subcontractor employee must maintain duplicate housing costs while the employee is on long-term travel. In addition, the subcontractor employee's travel must be in excess of 50 miles from the employee's residence.

We also determined that Livermore established an FMLE contract clause that is applicable to all subcontractors. This clause states the terms and conditions of eligibility for FMLE reimbursement, including trips home, and other reimbursable incidentals associated with FMLE work. The clause also provides for subcontractor certification to the FMLE agreement. Specifically, by signing the subcontract, the subcontractor is certifying compliance with the FMLE terms and conditions. In addition, Livermore provided a desk guide to supplement the requirements of Livermore Procurement Standard Practice 31.4 and to assist the contract administrator in determining the appropriateness of FMLE payments.

Review of FMLE Subcontracts

Our inspection revealed that, in response to the investigation, Livermore reviewed all subcontracts with FMLE provisions, but did not identify any other subcontract employees who claimed and received FMLE payments to which they were not entitled. Livermore did determine that the continuation of two subcontracts would be in violation of the new Procurement Standard Practice 31.4. This Standard allows for FMLE to be paid to a subcontractor employee on extended travel ranging from 30 days to 12 months, or to a subcontractor employee on a change of station from 12 to 36 months. At the time the provisions were implemented, Livermore had two subcontracts in place that would have required payments beyond the allowable time periods, thus requiring Livermore to seek an exemption from Procurement Standard Practice 31.4 for those individuals. The exemption was subsequently approved by the NNSA's Livermore Site Office.

SUGGESTED ACTION

Considering the previous problems with FMLE at Livermore, we suggest that the Manager, Livermore Site Office, periodically assess the FMLE program to ensure that current Livermore internal policies remain in place to prevent inappropriate FMLE payments.

Since we are not making any recommendations in this report, a response is not required.

We appreciate the cooperation received from your staff during our inspection. If you have any questions concerning this inspection, please contact Mr. Richard W. Curran, Director, Western Inspection Region, Office of Inspections, at (505) 845-5153.

Attachment

cc: Administrator, National Nuclear Security Administration
Deputy Secretary
Associate Deputy Secretary
Chief of Staff

SCOPE AND METHODOLOGY

We initiated our review as a follow-up inspection and focused on Livermore's administrative actions regarding FMLE issues as a result of the Office of Inspector General investigation.

This inspection was performed between July 2011 and August 2011 at the Lawrence Livermore National Laboratory. To accomplish the objective of the inspection, we:

- Reviewed applicable site policies and procedures.
- Interviewed key personnel at Livermore regarding FMLE policies and procedures.

This inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*, issued January 2011. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe the evidence obtained provides a reasonable basis for our conclusions and observations based on our inspection objective. The inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection.

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