



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

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# Assessment Report

Assessment of Audit Coverage of Cost Allowability for Lawrence Livermore National Laboratory under Department of Energy Contract No. DE-AC52-07NA27344 during Fiscal Years 2011-2012

OAS-V-14-14

August 2014

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**Department of Energy**  
Washington, DC 20585

August 13, 2014

MEMORANDUM FOR THE ACTING MANAGER, LIVERMORE FIELD OFFICE

A handwritten signature in dark ink, appearing to read "David Sedillo".

FROM: David Sedillo, Director  
Western Audits Division  
Office of Inspector General

SUBJECT: INFORMATION: Report on "Assessment of Audit Coverage of Cost Allowability for Lawrence Livermore National Laboratory under Department of Energy Contract No. DE-AC52-07NA27344 during Fiscal Years 2011-2012"

BACKGROUND

Lawrence Livermore National Laboratory (LLNL) is part of the Department of Energy's (Department) National Nuclear Security Administration (NNSA) which has national security responsibilities that include ensuring the safety, security and reliability of the Nation's nuclear weapons stockpile. In May 2007, NNSA awarded a 7-year contract to Lawrence Livermore National Security, LLC to manage and operate LLNL. During Fiscal Years (FYs) 2011 and 2012, LLNL incurred and claimed costs totaling \$1,296,940,581 and \$1,628,530,304 respectively.

As an integrated management and operating contractor, LLNL's financial accounts are integrated with those of the Department, and the results of transactions are reported monthly according to a uniform set of accounts. LLNL is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. Allowable costs are incurred costs that are reasonable, allocable and allowable in accordance with the terms of the contract, applicable cost principles, laws and regulations.

To help ensure that only allowable costs are claimed by the Department's integrated contractors and to make efficient use of available audit resources, the Office of Inspector General (OIG), the Department's Office of Acquisition and Project Management, and the integrated management and operating contractors and other select contractors have implemented a Cooperative Audit Strategy (Strategy) to make efficient use of available audit resources while ensuring that the Department's contractors claim only allowable costs. The Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Strategy, LLNL is required by its contract to maintain an Internal Audit activity with responsibility for conducting audits,

including audits of the allowability of incurred costs. In addition, LLNL is required to conduct or arrange for audits or reviews of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor.

To help ensure that audit coverage of cost allowability was adequate for FYs 2011 and 2012, the objectives of our assessment were to determine whether:

- Internal Audit conducted cost allowability audits that complied with professional standards and could be relied upon;
- LLNL conducted or arranged for audits or reviews of its subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor; and
- Questioned costs and internal control weaknesses impacting allowable costs that were identified in audits and reviews have been adequately resolved.

## RESULTS OF ASSESSMENT

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit for FYs 2011 and 2012 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. Internal Audit identified \$13,430 in questioned costs as part of its allowable cost audits which have since been resolved and reimbursed to the Department. In addition, we found that LLNL conducted reviews of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. LLNL's subcontract reviews resulted in \$794,232 in questioned costs, all of which have been resolved. Further, \$3,595,187 of questioned costs were identified in other reviews performed by Internal Audit, LLNL, and the Department of which \$1,252,151 remained unresolved as of August 2014. As such, we are questioning \$1,252,151.

We did, however, identify two issues which need to be addressed to ensure that only allowable costs are claimed and reimbursed to the contractor. Specifically, our testing of Internal Audit's cost allowability audit work identified additional questioned costs. In particular, we determined that LLNL purchased fiduciary liability insurance without required Contracting Officer approval in the amount of \$19,101. Due to this exception, we expanded our tests of insurance transactions and identified additional insurance costs totaling \$1,442,799 that were incurred during FYs 2008 through 2012. We also identified \$304,158 in unallowable daycare insurance costs that were claimed by LLNL and reimbursed by the Department. LLNL repaid the \$304,158 to the Department after we brought it to their attention.

A summary of questioned and unresolved costs is presented in Attachment 3. In addition, we identified one instance of cost charging which appeared to constitute a potential noncompliance with Cost Accounting Standards (CAS) 405, *Accounting for Unallowable Costs*.

## **Testing of Cost Allowability Work**

Our testing of Internal Audit's work disclosed additional questioned costs. Specifically, we selected eight transactions reviewed by Internal Audit as part of its cost allowability audits for FYs 2011 and 2012 for testing. Our testing resulted in one exception for \$19,101 related to the purchase of fiduciary liability insurance without the required Contracting Officer approval. Department Acquisition Regulation 970.5228-1, *Insurance – Litigation and Claims*, as incorporated in LLNL's contract, states that the contractor shall procure and maintain such bonds and insurance as required by law or approved in writing by the Contracting Officer. However, according to the Contracting Officer, LLNL had not requested or received approval to purchase fiduciary liability insurance. In addition, we noted that, due to an oversight, Internal Audit had not included the Contracting Officer approval attribute in its original testing of the insurance transaction.

We brought this matter to Internal Audit's attention and, in response; Internal Audit issued a supplement to its previously issued cost allowability audit report. In the supplemental report, Internal Audit recommended that LLNL review insurance approvals and submit all insurance types not approved to the Contracting Officer for approval. This recommendation was still open as of August 2014; however, in our opinion, the supplemental report did not fully serve the purpose of disclosing and rectifying the error because it did not question the \$19,101. According to the Internal Audit Manager, Internal Audit did not question the costs because it did not think the costs were questionable unless the Contracting Officer had specifically disapproved the insurance purchase. However, since the \$19,101 was not approved as required, we are questioning that amount. Nonetheless, we concluded that the exception had no material effect on the overall reliability of Internal Audit's incurred costs work because it was not a systemic issue.

## **Expanded Testing of Insurance Transactions**

Due to the exception noted above, we expanded our testing of insurance transactions and identified additional questioned costs totaling \$1,746,958 that were incurred during FYs 2008 through 2012. During our review, we found that LLNL purchased 16 types of insurance; 6 of which are required by law and, thus, did not require pre-approval by the Contracting Officer. As stated previously, according to LLNL's contract, the remaining 10 types of insurance required written approval from the Contracting Officer. However, LLNL did not submit seven insurance types to the Contracting Officer for approval. Despite the lack of prior approval, the Contracting Officer told us that a number of insurance types appeared to be for a legitimate business need and in the best interest of the Department; therefore, she may retroactively approve those particular insurance types after further review. Ultimately, we identified four instances where LLNL purchased insurance policies that, in addition to not being pre-approved by the Contracting Officer, were questionable under the terms of the contract, or were unreasonable.

## **Directors and Officers Insurance**

We identified costs totaling \$621,900 related to directors and officers insurance claimed by LLNL and reimbursed by the Department during FYs 2008 through 2012. The primary objective of this insurance coverage is to provide personal protection to various LLNL directors and

officers. This is a personal benefit for the covered individual rather than for LLNL. As such, the Contracting Officer stated that it is conceivably allowable as a fringe benefit, but disallowed as an operating cost. We found that LLNL charged directors and officers insurance as an operating cost even though the Contracting Officer specifically directed LLNL in November 2010, that directors and officers insurance costs were unallowable as an operating cost. LLNL believed the costs were allowable because the insurance was purchased in connection with the general conduct of its business; and, thus, charged these costs to the Department. Per the Contracting Officer, in order for the costs to potentially be allowable, LLNL needed to perform an analysis to determine whether the costs should be part of the director and officer's compensation since it was not appropriate to charge them to LLNL's general and administrative cost pool. The Contracting Officer told us that LLNL had not performed the required analysis despite her direction. Further, the Contracting Officer asserted that her November 2010 written determination disallowing directors and officers insurance costs makes them subject to the penalty provisions in the contract.

### **Fiduciary Liability Insurance**

Our review also disclosed questioned costs totaling \$323,103 related to fiduciary liability insurance reimbursed during FYs 2008 through 2012 that was not reimbursable under the contract. This type of insurance provides coverage from losses resulting from claims made against LLNL for wrongful acts in the administration of employee benefits, including breach of *Employee Retirement Income Security Act of 1974 (ERISA)* and *Health Insurance Portability and Accountability Act of 1996* duties and responsibilities. The fiduciary insurance purchased covered LLNL, its directors, officers, and employees who are fiduciaries. During our fieldwork, we found that fiduciary insurance is not a reimbursable cost by the Department; instead, the cost is covered by the trust fund of the Benefits and Investments Committee (BIC). The BIC was established to administer the employee pension and benefit plans of LLNL and Los Alamos National Laboratory; particularly those pension and benefit plans covered by ERISA. According to the Contracting Officer, LLNL charged the fiduciary liability insurance to the contract with the expectation that the trust fund would reimburse the Department; however, the reimbursement did not occur. After we raised our concern to LLNL officials, they changed their payment procedure and used the trust fund to directly pay for the most recent fiduciary insurance renewal.

### **Lease-to-Own Insurance**

We are also questioning lease-to-own insurance costs totaling \$497,796 that were reimbursed by the Department during FYs 2008 through 2012, which we determined to be unreasonable. The Federal Acquisition Regulation Part 31.201-3, *Determining Reasonableness*, states a cost is reasonable when it is generally recognized as ordinary and necessary for the conduct of the contractor's business or the contract performance. This type of insurance provides coverage for property damage to computer and telecommunications equipment while on lease. However, we found that this additional coverage was unnecessary because LLNL is already self-insured for fire, vandalism and malicious mischief and, under its contract, LLNL is indemnified by the U.S. Government for claims of loss or damage to the leased equipment. LLNL originally purchased the lease-to-own insurance because its agreement with the lessor specifically stated that LLNL would maintain additional property damage insurance with respect to the equipment in such

amounts and covering such risks that were not covered by self-insurance or indemnified by the Government. When the new LLNL contract was put into place, the appropriateness of the lease-to-own insurance was not reevaluated. To her credit, after we brought this issue to the LLNL Risk/Insurance Manager's attention, she agreed that the additional insurance coverage was unnecessary and in March 2014, LLNL revised the language in the lease agreement to eliminate the requirement for "additional" property damage insurance.

### **Daycare Insurance**

Finally, we identified \$304,158 in unallowable daycare insurance costs that were claimed by LLNL and reimbursed by the Department. Daycare insurance provides coverage for bodily injury, property damage and sexual abuse at the daycare facility. The daycare facility opened its doors in 1986 and was subsidized by LLNL under the previous contract. In June 2007, it was mutually agreed in writing between the Contracting Officer and LLNL that no Department funds were to be used to directly or indirectly support operations of the daycare facility throughout the contract term from FYs 2008 through 2014. However, we found that daycare insurance costs were inappropriately charged to and paid by the Department from FYs 2010 through 2012. Further, we found that in February 2010, former LLNL officials re-categorized daycare insurance as an allowable cost under the contract without the approval of the Contracting Officer. We disclosed to current LLNL management and the Contracting Officer that we had identified costs totaling \$304,158 related to daycare insurance costs billed and reimbursed by the Department during FYs 2010 through 2012. Subsequent to our disclosure, LLNL agreed with our finding and promptly reimbursed the \$304,158 to the Department. Although the daycare insurance costs were repaid, this situation showed that LLNL's existing internal control structure was not adequate to detect and prevent these types of occurrences.

### **Potential CAS 405 Violation**

During our fieldwork, we identified one instance of cost charging which appeared to constitute a potential noncompliance with CAS 405. CAS 405 states that "costs expressly unallowable or mutually agreed to be unallowable are to be identified and excluded from any billing, claim, or proposal to a Government contract." It further requires contractors to have designed and implemented sufficient internal control structures to prevent billing and reimbursement of unallowable costs to the Department. However, we found that unallowable daycare insurance costs were claimed by LLNL and reimbursed by the Department. LLNL's accounting practice of charging insurance costs that were mutually agreed to be unallowable to the contract and the inability of LLNL's internal control structure to detect that practice warrants further management attention, including possible imposition of a penalty, to ensure that similar types of potential unallowable costs are not billed to the Department in the future.

### **Additional Insurance Costs after FY 2012**

During our assessment, we further noted similar insurance costs totaling \$565,594 were claimed by LLNL and reimbursed by the Department from October 2012 through January 2014. Daycare insurance costs of \$119,764 incurred during this period were returned to the Department in February 2014. However, the remaining costs should be evaluated by the Contracting Officer.

## RECOMMENDATIONS

We recommend that the Manager, Livermore Field Office, direct the Contracting Officer to:

1. Make a determination regarding the allowability of questioned and unresolved costs identified in this report and recover those costs determined to be unallowable;
2. Consider if the penalty clause for costs charged to the Department that were mutually agreed to be unallowable or determined unallowable per the Contracting Officer's direction should be applied to the questioned costs disclosed in this report;
3. Ensure that LLNL formally submits insurance types that are not required by law to the Contracting Officer for approval; and
4. Make a determination regarding the potential CAS 405 noncompliance and direct LLNL to implement appropriate corrective actions as necessary.

## MANAGEMENT RESPONSE AND AUDITOR COMMENTS

NNSA management concurred with the findings and recommendations, and planned to complete all actions by May 31, 2015. Specifically, management stated that the Contracting Officer is in the process of making cost allowability determinations and will recover those costs determined to be unallowable. In addition, the Contracting Officer is in the process of determining whether the penalty clause for costs charged to the Department that were mutually agreed to be unallowable or determined unallowable per the Contracting Officer's direction should be applied to the questioned costs. Further, LLNL has been requested to formally submit insurance types that are not required by law to the Contracting Officer for approval. Finally, the Contracting Officer plans to make a determination regarding the potential CAS 405 noncompliance, and direct LLNL to implement appropriate corrective actions as necessary.

Management's comments and planned actions are responsive to our recommendations. Management's verbatim comments are included in their entirety in Attachment 1.

## SCOPE AND METHODOLOGY

This assessment was performed from June 2013 to August 2014, at LLNL, located in Livermore, California. The assessment was limited to Internal Audit activities, relevant criteria, prior audits and reviews, subcontract audits, and resolution of questioned costs and internal control weaknesses that impact costs claimed by LLNL on its Statement of Costs Incurred and Claimed for FYs 2011 and 2012. The assessment was conducted under OIG Project Number A13LL043. To accomplish our objectives, we:

- Assessed allowable cost audit work conducted by Internal Audit which included review of audit reports, workpapers, auditor qualifications, independence, audit planning (including risk assessments and overall internal audit strategy), compliance with applicable professional auditing standards, and conducted interviews of auditors;

- Assessed subcontract reviews conducted by LLNL;
- Randomly selected eight transactions previously reviewed by Internal Audit to evaluate whether they were allowable under the contract and Federal regulations;
- Tested all insurance transactions from October 2008 to January 2014, to determine whether LLNL purchased insurance in compliance with applicable Federal regulations, Department requirements and contract provisions; and
- Evaluated resolution of questioned costs and control weaknesses impacting cost allowability that were identified in prior audits and reviews conducted by the OIG, Internal Audit, and other organizations.

We conducted this assessment in accordance with generally accepted Government auditing standards for attestation engagements. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives. A review is substantially less in scope than an examination or audit where the objective is an expression of an opinion on the subject matter and accordingly, for this review, no such opinion is expressed. Also, because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our review. We relied on computer processed data to accomplish our objectives. Based on a recent review of LLNL's information technology controls performed by KPMG, LLP on behalf of the OIG, we determined that data was sufficiently reliable for the purposes of the review. Management waived an exit conference.

This report is intended for the use of the Department, contracting officers, and field offices in the management of their contracts and is not intended to be and should not be used by anyone other than these specified parties.

Attachments



## MANAGEMENT COMMENTS



Department of Energy  
Under Secretary for Nuclear Security  
Administrator, National Nuclear Security Administration  
Washington, DC 20585



August 4, 2014

MEMORANDUM FOR GREGORY H. FRIEDMAN  
INSPECTOR GENERAL

FROM: FRANK G. KLOTZ JK 8/4/2014

SUBJECT: Comments on the Office of Inspector General Draft Report Titled  
*Assessment of Audit Coverage of Cost Allowability for Lawrence  
Livermore National Laboratory during Fiscal Years 2011 - 2012  
(A13LL043 / 2013-01434)*

Thank you for the opportunity to review and comment on the subject draft report. We understand the Office of Inspector General (OIG) conducted this audit to determine whether: (1) Lawrence Livermore National Laboratory (LLNL) Internal Audit conducted cost allowability audits that complied with professional standards and could be relied upon; (2) LLNL conducted or arranged for audits of its subcontractors when costs incurred were a factor in determining the amount payable; and (3) any questioned costs and internal control weaknesses impacting allowable costs have been adequately resolved.

The report notes approximately \$4.4 million in questioned costs self-identified by LLNL and the National Nuclear Security Administration (NNSA). The Livermore Contracting Officer has already completed review and determination on the allowability of the majority of these costs. NNSA will continue to pursue Contracting Officer's final determination for the remaining \$1,252,151 of questioned costs which have not yet been resolved, as well as the additional \$1,461,900 questioned by the OIG in this report, as recommended. In addition, we agree with the remaining three recommendations in the report and plan to complete all actions by May 30, 2015. The attachment to this memorandum provides the specific actions and timelines for resolution of each recommendation.

NNSA appreciates the auditors' validation that the allowable cost-related audit work performed by LLNL for fiscal years 2011 and 2012 was free of material internal control weaknesses and could be relied upon. If you have any questions regarding this response, please contact Dean Childs, Director, Audit Coordination and Internal Affairs, at (301) 903-1341.

Attachment



Attachment

**Response to Report Recommendations**

***Report Title: Assessment of Audit Coverage of Cost Allowability for Lawrence Livermore National Laboratory during Fiscal Years 2011 - 2012 (A13LL043 / 2013-01434)***

The Office of Inspector General (OIG) Recommended NNSA:

**Recommendation 1:** Make a determination regarding the allowability of questioned and unresolved costs identified in this report, and recover those costs determined to be unallowable.

**Management Response: Concur**

The Contracting Officer is in the process of making cost allowability determinations and will recover those costs determined to be unallowable by May 31, 2015.

**Recommendation 2:** Consider if the penalty clause for costs charged to the Department that were mutually agreed to be unallowable or determined unallowable per the Contracting Officer's direction should be applied to the questioned costs disclosed in this report.

**Management Response: Concur**

The Contracting Officer is in the process of determining whether the penalty clause for costs charged to the Department that were mutually agreed to be unallowable or determined unallowable per the Contracting Officer's direction should be applied to the questioned costs. This action will be taken in conjunction with the planned actions for Recommendation 1, with an estimated completion date of May 30, 2015.

**Recommendation 3:** Ensure that LLNL formally submits insurance types that are not required by law to the Contracting Officer for approval.

**Management Response: Concur**

The Contractor has been requested to formally submit insurance types that are not required by law to the Contracting Officer for approval. The estimated completion date for a Contracting Officer decision on LLNS insurance requests is October 31, 2014.

**Recommendation 4:** Make a determination regarding the potential Cost Accounting Standard (CAS) 405 noncompliance, and direct LLNL to implement appropriate corrective actions as necessary.

**Management Response: Concur**

The Contracting Officer will make a determination regarding the potential CAS 405 noncompliance and direct LLNL to implement appropriate corrective actions as necessary by May 30, 2015.


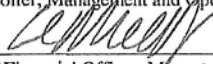
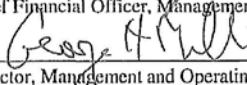
**STATEMENT OF COSTS INCURRED**

**Lawrence Livermore National Security, LLC**  
**Statement of Costs Incurred and Claimed under Contract Number DE-AC52-07NA27344**  
**for the period beginning October 1, 2010 and ending September 30, 2011**


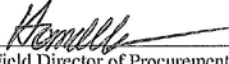
	(A)	(B)	(C)
	Contractor Costs Claimed	Contracting Officer Adjustments	Total Adjusted Costs
1. Net Cost of Operations	1,020,911,543.25		
2. Non-Reimbursable Transfers	0.00		
3. Reconciling Transfers	333,234.04		
4. Changes in Assets	0.00		
a) Accounts Receivable	3,719,643.31		
b) Inventories	(604,032.95)		
c) Plant & Equipment – Net	272,715,314.00		
d) Prepayments	(135,120.90)		
e) Collateral Funds	0.00		
f) Other Deposits (explain in footnote)	0.00		
<b>Costs Incurred and Claimed (Total)</b>	<b>1,296,940,580.75</b>		

Signatures:

I certify that, to the best of my knowledge and belief, the Costs Incurred and Claimed are allowable and reasonable in accordance with the terms of the subject contract and applicable laws and regulations, subject to audit.

 _____ Controller, Management and Operating Contractor	<u>11-17-11</u> Date
 _____ Chief Financial Officer, Management and Operating Contractor	<u>11-17-11</u> Date
 _____ Director, Management and Operating Contractor	<u>21 Nov 2011</u> Date

The contractor has established a system of accounting and procurement controls adequate to minimize the risk of incurring unallowable or unreasonable costs. The above statement does not constitute final approval or settlement of costs.

 _____ Field Chief Financial Officer	<u>9.8.2012</u> Date	 _____ Field Director of Procurement	<u>9/10/12</u> Date
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Audit by the Inspector General disclosed \$ \_\_\_\_\_ questioned costs, subject to future audit.

\_\_\_\_\_  
Office of Inspector General

\_\_\_\_\_  
Date

Approved for the U.S. Department of Energy in the amount of \$ \_\_\_\_\_ subject to future audit.

_____ Contracting Officer	_____ Date	_____ Field Office Manager or Head of Contracting Activity	_____ Date
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**STATEMENT OF COSTS INCURRED AND CLAIMED**  
**Lawrence Livermore National Security, LLC**  
**Statement of Costs Incurred and Claimed under Contract Number DE-AC52-07NA27344**  
**For the period beginning October 1, 2011 and ending September 30, 2012**

	Contractor Costs Claimed	Contracting Officer Adjustments	Total Adjusted Costs
1. Operating Expense/Program Costs (61000000)	1,599,375,626.87		
2. Integrated Contractor Cost Overruns and Undistributed Costs (61009900)	0.00		
3. Other Interest Expenses(63300000)	653,825.34		
4. Costs of Goods Sold – Budgeted-B&R WN and CB (6500F000)	0.00		
5. Purchases of Capitalized PP&E (88020100)	20,680,948.37		
6. Financing for Previously Unfunded Capital Lease PP&E (88020500)	7,819,903.59		
7. Purchase of Capitalized Inventories (88030200)	0.00		
8. Purchase of Funded Inventory (88030300)	0.00		
9. Purchase of Other Assets (88040900)	0.00		
<b>10. Costs Incurred and Claimed (Total)</b>	<b>1,628,530,304.17</b>		

Note: Detailed information on the individual SGLs listed above is retained by the CFO Office of Financial Controls and Reporting.


Signatures:

I certify that, to the best of my knowledge and belief, the Costs Incurred and Claimed are allowable and reasonable in accordance with the terms of the subject contract and applicable laws and regulations.

  
 \_\_\_\_\_  
 Director, Management and Operating Contractor

11/13/12  
 \_\_\_\_\_  
 Date

The contractor has established a system of controls adequate to minimize the risk of incurring unallowable costs. Additionally, our review of the contractor's Statement of Costs Incurred and Claimed has disclosed no unallowable costs except for any noted adjustments. The above statement does not constitute final approval or settlement of costs.

  
 \_\_\_\_\_  
 Field Chief Financial Officer

3/11/13  
 \_\_\_\_\_  
 Date

  
 \_\_\_\_\_  
 Field Director of Procurement

11/26/12  
 \_\_\_\_\_  
 Date

Questioned costs disclosed by the Inspector General \$ \_\_\_\_\_.

\_\_\_\_\_  
 Office of Inspector General

\_\_\_\_\_  
 Date

Approved for the U.S. Department of Energy in the amount of \$ \_\_\_\_\_ subject to future audit.

\_\_\_\_\_  
 Contracting Officer

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Field Office Manager or Head of Contracting Activity

\_\_\_\_\_  
 Date

Summary of Questioned and Unresolved Costs  
Lawrence Livermore National Security, LLC  
Contract No. DE-AC52-07NA27344

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Reimbursed	Total
Directors and Officers	\$152,205	\$151,342	\$151,185	\$83,583	\$83,585		\$621,900
Fiduciary Liability	\$75,139	\$71,732	\$72,232	\$47,500	\$75,601		\$342,204
Lease-to-Own	\$98,264	\$46,591	\$160,072	\$138,864	\$54,005		\$497,796
Daycare		-\$698	\$114,754	\$114,973	\$75,129	\$304,158	\$0
<b>Questioned Costs<sup>1</sup></b>							<b>\$1,461,900</b>
<b>Unresolved Costs<sup>2</sup></b>				\$1,252,151			<b>\$1,252,151</b>
<b>Total</b>							<b><u>\$2,714,051</u></b>

<sup>1</sup>Questioned costs are for insurance costs that were not reimbursable by the Department or unreasonable.

<sup>2</sup>Unresolved costs include costs questioned by Internal Audit in prior audits which have not been resolved.