



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-14

February 19, 2026

Lawrence Livermore National Laboratory's Costs Incurred and Claimed for Fiscal Year 2021 Under Contract No. DE-AC52-07NA27344



AUDIT REPORT



Department of Energy
Washington, DC 20585

February 19, 2026

MEMORANDUM FOR THE CONTRACTING OFFICER, LIVERMORE FIELD OFFICE,
NATIONAL NUCLEAR SECURITY ADMINISTRATION

SUBJECT: Audit Report: *Lawrence Livermore National Laboratory's Costs Incurred and Claimed for Fiscal Year 2021 Under Contract No. DE-AC52-07NA27344*

The Office of Inspector General contracted with the Defense Contract Audit Agency (DCAA) to audit Lawrence Livermore National Security, LLC's (LLNS) costs incurred and claimed for fiscal year 2021 at the Lawrence Livermore National Laboratory, under management and operating contract No. DE-AC52-07NA27344, to determine if costs charged were allowable, allocable, and reasonable in accordance with applicable laws, regulations, and contract terms. The DCAA performed the audit in accordance with generally accepted government auditing standards.

The DCAA identified two audit findings. First, the DCAA questioned over \$63 million in management fee in the Laboratory Directed Research and Development allocation base. The DCAA questioned the management fee, which represents a contractual incentive paid by the Department of Energy, because LLNS included the fee as a cost in the Laboratory Directed Research and Development allocation base. The DCAA validated that the proposed fee amount did not exceed the amount in the contract, and the Department determined that the contractor was entitled to the earned fee. Second, the DCAA increased LLNS' proposed allocation bases for one indirect cost pool because LLNS did not include all activity that had a causal or beneficial relationship to the cost pool. In addition to the two audit findings, the DCAA reported scope limitations regarding: (1) real-time testing not being performed, which resulted in unresolved risk that could materially affect labor and material costs; and (2) unresolved subcontract costs.

The DCAA is responsible for the attached audit report dated April 24, 2025, and the conclusions expressed therein. The Office of Inspector General did not express an independent opinion on LLNS's fiscal year 2021 Final Indirect Cost Rate Proposal.

LLNS' management provided comments, which are included in the report. However, pursuant to Public Law 117-263, Section 5274, LLNS has 30 days from the date of publication of this report on our website to submit an optional written response to OIG.Reports@hq.doe.gov for the purpose of clarifying or providing additional context to any specific reference. The response will be posted on our public website. If the response contains any classified or other nonpublic information, the response should clearly identify the portions that need to be redacted and should provide a legal basis for the proposed redactions.

We appreciated the cooperation of your staff during the audit.

A handwritten signature in blue ink, appearing to read 'MDD', with a horizontal line extending to the right.

Matthew D. Dove
Assistant Inspector General
for Audits
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE OIG HIGHLIGHTS

Lawrence Livermore National Laboratory's Costs Incurred and Claimed for Fiscal Year 2021 Under Contract No. DE-AC52-07NA27344

Why The Audit Was Performed

This audit was performed by the Defense Contract Audit Agency (DCAA) on behalf of the Department of Energy's Office of Inspector General and examined Lawrence Livermore National Security, LLC's (LLNS) costs incurred and claimed for fiscal year 2021 at the Lawrence Livermore National Laboratory under management and operating contract No. DE-AC52-07NA27344.

The audit's objective was to determine if costs charged to Department Contract No. DE-AC52-07NA27344 for fiscal year 2021 were allowable, allocable, and reasonable in accordance with applicable laws, regulations, and contract terms.

The DCAA performed the audit in accordance with generally accepted government auditing standards.

What the Audit Found

The DCAA identified two audit findings. First, the DCAA questioned over \$63 million in management fee in the Laboratory Directed Research and Development allocation base. The DCAA questioned the management fee, which represents a contractual incentive paid by the Department, because LLNS included it as a cost in the Laboratory Directed Research and Development allocation base. The DCAA validated that the proposed fee amount did not exceed the amount in the contract, and the Department determined that the contractor was entitled to the earned fee. Second, the DCAA increased LLNS' proposed allocation bases for one indirect cost pool because LLNS did not include all activity that had a causal or beneficial relationship to the cost pool. In addition to the two audit findings, the DCAA reported scope limitations regarding: (1) real-time testing was being performed, which resulted in unresolved risk that could materially affect labor and material costs; and (2) unresolved subcontract costs.

What the Audit Recommends

If the issues identified by the DCAA are fully addressed, it should help ensure that costs charged to the Department are appropriately allocated. Accordingly, the DCAA recommends that LLNS conduct a study to determine the method or allocation base that represents a causal or beneficial relationship and results in an equitable allocation of the Site Support costs.

How the Contractor Responded

LLNS did not concur with the DCAA's findings and asserted that its allocation bases were compliant with cost accounting standards.

FEEDBACK

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