



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-19

March 4, 2026

The Regents of the University of California's Costs Incurred and Claimed for Fiscal Year 2021 Under Contract No. DE-AC02-05CH11231



AUDIT REPORT



Department of Energy
Washington, DC 20585

March 4, 2026

MEMORANDUM FOR THE CONTRACTING OFFICER, BERKELEY SITE OFFICE,
OFFICE OF SCIENCE

SUBJECT: Audit Report: *The Regents of the University of California's Costs Incurred and Claimed for Fiscal Year 2021 Under Contract No. DE-AC02-05CH11231*

The Office of Inspector General contracted with the Defense Contract Audit Agency (DCAA) to audit the Regents of the University of California (UC Regents) proposed costs incurred and claimed for fiscal year 2021 at the Lawrence Berkeley National Laboratory under management and operating contract No. DE-AC02-05CH11231. The DCAA examined the UC Regents' proposed direct and indirect amounts for contract reimbursement on unsettled flexibly priced contracts contained in its fiscal year 2021 Final Indirect Cost Rate Proposal. The audit's objective was to determine if cost charged to Department Contract No. DE-AC02-05CH11231 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.

The DCAA identified two audit findings and questioned approximately \$6.4 million in the management fee in the total cost rate pool. The DCAA questioned the management fee, which represented a contractual incentive paid by the Department of Energy, because the UC Regents included the fee as a cost in the total cost rate pool. The DCAA reconciled the proposed fee amount to the general ledger, and the Department determined that the contractor was entitled to the earned fee. In addition, the DCAA increased the UC Regents' proposed allocation bases for three indirect cost pools because of the UC Regents' error in the treatment of several purchase orders that resulted in understated allocation bases.

The DCAA is responsible for the attached audit report dated September 10, 2025, and the conclusions expressed therein. The Office of Inspector General did not express an independent opinion on the UC Regents' fiscal year 2021 Final Indirect Cost Rate Proposal.

The UC Regents management provided comments, which are included in the report. However, pursuant to Public Law 117-263, Section 5274, the UC Regents 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

The Regents of the University of California's Costs Incurred and Claimed for Fiscal Year 2021 Under Contract No. DE-AC02-05CH11231

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 the Regents of the University of California's (UC Regents) costs incurred and claimed for fiscal year ending September 30, 2021, at the Lawrence Berkeley National Laboratory under management and operating contract No. DE-AC02-05CH11231.

The audit's objective was to determine if cost charged to Department Contract No. DE-AC02-05CH11231 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 and questioned approximately \$6.4 million in the management fee in the total cost rate pool. The DCAA questioned the management fee, which represented a contractual incentive paid by the Department of Energy, because the UC Regents included the fee as a cost in the total cost rate pool. The DCAA reconciled the proposed fee amount to the general ledger, and the Department determined that the contractor was entitled to the earned fee. In addition, the DCAA increased the UC Regents' proposed allocation bases for three indirect cost pools because of the UC Regents' error in the treatment of several purchase orders that resulted in understated allocation bases.

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 allowable, allocable, and reasonable in accordance with contract terms. We recommend that the contractor coordinate with the contracting officer to resolve the questioned and adjusted base costs identified in this report.

How the Contractor Responded

The UC Regents responded to the audit findings during an exit conference and provided a written response that is included in the DCAA's audit report. The UC Regents nonconcurred with the questioned costs. For the increase in indirect allocation bases, UC Regents concurred and noted that the Lawrence Berkeley National Laboratory had self-identified, corrected, and disclosed the error to the Department in November 2021 prior to the audit beginning.