

Lax wage research led Livermore to overpay staff chief by \$500K -- IG

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A chief of staff at Lawrence Livermore National Laboratory received more than \$500,000 more in wages than was justified because of poor wage-comparison practices, according to an Energy Department inspector general report released today.

At issue are DOE's rules on time and material subcontracts that are paid based on fixed hourly rates (composed of wages, overhead, general and administrative expenses, and profit) and actual costs for materials. There's no profit incentive for subcontractors to control costs, so it's a matter that requires careful analysis and consideration, the report says.

The report says Livermore hired a chief of staff at \$2.7 million without considering anyone else for the position and without comparing the \$310 per-hour wage to other chief of staff positions at the lab.

Livermore could have saved more than \$500,000 by paying the employee at the highest rate paid to other staff chiefs, the report says.

The report also says Livermore lacked documentation to back up the lab's claim that the hired staff chief had unique qualifications to justify the wage and the exclusive hiring.

In fact, the report says more than half of the 12 subcontracts reviewed at Livermore were "sole source" -- awarded without competition. Six of those lacked adequate market research and two lacked sufficient price analysis to justify the fixed hourly rates, it says.

The audit was done because Livermore uses time-and-material subcontracts larger than \$250,000 extensively, the report says. Such large subcontracts account for about \$655 million of \$1.7 billion in contracts since 2010, it says.

In another subcontract case, Livermore wasted nearly \$400,000 when it failed to perform an adequate price analysis for a construction subcontract with wage rates 17 percent to 75 percent higher than average, the report says. After the contract was initiated, it says, Livermore management flagged the issue and the wages were renegotiated 14 percent lower.

The report says Livermore concurred with the IG's recommendations to provide "adequate" justifications for subcontract rates and sole-source subcontracts, including documentation of market research and price analyses, and establish a performance measure to reduce the rate of noncompetitive awards for time and materials subcontracts.

This report is part of an ongoing series by the IG on subcontracting, including one report in June that found DOE had paid \$450,000 to ex-Rep. Heather Wilson (R-N.M.) for consulting services that resulted in little more than a few emails and undocumented oral advice (E&E Daily, June 12).