



memorandum

DATE: November 27, 2002

OAS-L-03-06

REPLY TO
ATTN OF: IG-35 (A02LA042/A02LL019)

SUBJECT: Audit of "Recruitment and Retention at the Los Alamos and Lawrence Livermore National Laboratories"

TO: Administrator, National Nuclear Security Administration

INTRODUCTION AND OBJECTIVE

The U.S. Nuclear Weapons Program's mission of maintaining a safe and reliable nuclear weapons stockpile relies on the National Nuclear Security Administration's (NNSA), the Los Alamos National Laboratories' (Los Alamos), and the Lawrence Livermore National Laboratories' (Livermore) ability to develop a new generation of highly qualified professionals. It is essential that Los Alamos and Livermore recruit and retain individuals with the knowledge and skills to accomplish the mission. Fundamental needs include identification of the skills required to achieve the mission and development of a systematic approach ensuring that people with critical skills are in place when required.

The Office of Inspector General has previously reported that the lack of a critical-skilled workforce has impacted program readiness and project evaluations. For example, *National Nuclear Security Administration's Test Readiness Program* (DOE/IG-0566, September 2002) stated that the Department of Energy's (Department) ability to conduct an underground nuclear test within established parameters was at risk because the Nevada Operations Office and its support organizations have lost nearly 50 percent of their underground nuclear test-experienced personnel in the last five years. *Recruitment and Retention of Scientific and Technical Personnel* (DOE/IG-0512, July 2001) stated that when the Department's newest weapon system, the W88, reaches the end of its original design life in 2014, there may no longer be test-based job experienced personnel to evaluate modifications that may be required. To attract and retain the best scientific and technical talent, Los Alamos and Livermore must affirm the importance of their nuclear missions and continue to maintain a climate where excellent science and technical work can be performed.

In January 2001, NNSA incorporated an Appendix O (Appendix) into the Los Alamos and Livermore contracts to address the critical skills shortages. The overall goal of the Appendix was to develop and deploy an aggressive, multi-laboratory strategy and a comprehensive plan to ensure that critical skills, knowledge, and technical capabilities

were available to the Nuclear Weapons Program. The objective of our audit was to determine whether Los Alamos and Livermore were meeting NNSA's recruitment and retention objectives.

CONCLUSIONS AND OBSERVATIONS

The Los Alamos and Livermore Laboratories have addressed NNSA's recruitment and retention program objectives. The Laboratories have developed and deployed a multi-laboratory strategy to recruit and retain Critical Skill Employees (CSE). Los Alamos and Livermore have collaborated and developed indicators to track the progress of CSE and to assess the current and future workforce projection over the next five years. In addition, the Laboratories have integrated and deployed incentives to recruit and retain CSE. For example, the Laboratories have initiated signing bonuses for new employees, monthly stipends for high turnover areas, flexible work schedules, and mentoring programs to match early career employees with eligible retirees. Along with employee incentives, the Laboratories have developed collaboration with other research universities, increased the recruiting personnel, and have promoted a positive public perception of the Laboratories.

Although the Laboratories have succeeded in developing and implementing a multi-program strategy to recruit and retain CSE, it is too early to measure the program's effectiveness. Thus, we want to stress the importance of measuring and monitoring the Laboratories efforts to ensure that NNSA's future needs are met.

SCOPE AND METHODOLOGY

We conducted the audit at Los Alamos and Livermore from August 2002 to November 2002. The audit focused on CSE and workforce documents during Fiscal Years 1999 through 2002.

To accomplish the objective, we:

- Reviewed related internal audit reports;
- Interviewed NNSA Human Resources and Los Alamos and Livermore officials;
- Analyzed Appendix O of the Los Alamos and Livermore contracts;
- Reviewed recruitment and retention documents provided by the Albuquerque and Oakland Operations Offices; and,
- Reviewed Los Alamos' and Livermore's semi-annual assessment reporting documents.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed internal controls related to human resources for the locations we reviewed. We could not assess performance measures under the Government Performance

and Results Act of 1993 because there were no specific performance measures for CSE. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit.

We discussed the results of this audit with officials from Los Alamos and Livermore and the audit liaisons from the Albuquerque and Oakland Operations Offices on November 6, 2002. Since no recommendations are being made, a formal response is not required. We appreciate the courtesies and cooperation provided to us during this audit.

Lawrence R. Ackerly, Division Director
National Nuclear Security Administration
Audits Division
Office of Inspector General

cc: Director, Policy and Internal Controls Management, NA-66
Team Leader, Audit Liaison Team, ME-2
Leonard Raab, Audit Liaison, Albuquerque Operations Office
Eileen Rountree-McLennan, Audit Liaison, Oakland Operations Office

memorandum

DATE: October 28, 2002

REPLY TO
ATTN OF: IG-35 (A02LV029)

SUBJECT: Final Report Package for "Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Nevada Corporation Under Department of Energy Contract No. DE-AC08-96NV11718"

TO: Director for Performance Audits and Administration

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 102


Actual Elapsed days: 124

Staff and Elapsed days exceeded the planned amounts because we had difficulty obtaining documents from Bechtel for our review, and we had to increase our testing of Internal Audit transactions once we identified deficiencies in foreign travel costs.

2. Names of OIG audit staff:

Assistant Director: Tara Elmore
Team Leader: Vickie Scofield
Auditor-in-Charge: Barbara Wilson
Audit Staff: Kelley Boyle

3. Coordination with Investigations and Inspections: Draft report sent to Adrian Gallegos, Investigations and Henry Minner, Inspections on September 11, 2002. Their comments did not indicate any specific issues with the report.


Lawrence R. Ackerly, Division Director
National Nuclear Security Administration
Audits Division
Office of Inspector General

Attachments:

1. Final Report (2)
2. Monetary Impact Statement
3. Audit Project Summary Report
4. Transmittal Memorandums

MONETARY IMPACT OF REPORT NO.: OAS-V-03-01

1. Title of Audit: Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Nevada Corporation under Department of Energy Contract No. DE-AC08-96NV11718

2. Division: NNSA Audits Division, Las Vegas Audit Group

3. Project No.: A02LV029

4. Type of Audit:

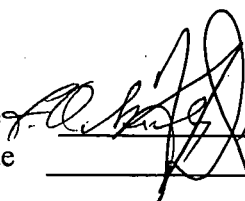
Financial: X Performance: _____
 Financial Statement _____ Economy and Efficiency _____
 Financial Related X (SCIC) Program Results _____
 Other (specify type): _____

5.

FINDING		BETTER USED			QUESTIONED COSTS			MGT. POSITION	POTENTIAL BUDGET IMPACT	
(A)	(B) Title	(C) One Time	Recurring			(G) Questioned Portion	(H) Unsup-ported Portion	(I) Total	(J) C=Concur N=Noncon U=Undec	(K) Y=Yes N=No
			(D) Amount Per Year	(E) No. Yrs.	(F) Total Amount					
1	Use of Travel Credit Cards					Undetermined	\$977,684	Undetermined		
2	Foreign Travel							\$977,684		
3	Records Destroyed					\$0		0		
4	Projection of Unallowables					Undetermined		Undetermined		
TOTALS--ALL FINDINGS						Undetermined	\$977,684	Undetermined		

6. Remarks: Finding 1: Use of Corporate Credit Cards. We do not have sufficient information to determine if Bechtel returned the full amount of rebates associated with contract travel to the Department. Finding 2: Foreign Travel. We are questioning \$267,390.53 for FY 1999; \$317,008 for FY 2000; and \$393,285.84 for FY 2001 based on problems identified with foreign travel. Finding 3: Records Destroyed. There are no costs associated with this finding. Finding 4: Projection of Unallowables. We were unable to determine the extent of unallowable costs for FY 1999 since the Internal Audit workpapers did not show statistical sampling techniques.

7. Contractor: None
 8. Contract No.: None
 9. Task Order No.: None

10. Approvals:
 Division Director & Date  10/28/02
 Technical Monitor & Date _____

Office of the Inspector General (OIG)
 Audit Project Office Summary (APS)

Report run on: October 11, 2002 6:14 PM

Audit#: A02LV029 Ofc: LVA Title: BECHTEL NEVADA FY 2001 SCIC

**** Milestones ****

	Profile	Planned End of Survey	Revised	Actual
Entrance Conference:	01-JUL-02	10-JUN-02	10-JUN-02	10-JUN-02
Survey Completed:				
Field Work Complete:		30-JUL-02	01-AUG-02	28-AUG-02
Draft Report Issued:			01-AUG-02	28-AUG-02
Exit Conference:			19-SEP-02	19-SEP-02
Completed with Report:	30-SEP-02		18-OCT-02	()
-----Elapsed Days	91		130	124
-----Staff Days:	35	0		102
Date Suspended:		Date Terminated:		
Date Reactivated:		Date Cancelled:		
DaysSuspended(Cur/Tot):	0 () Report Number:		
Rpt Title:				

**** Audit Codes and Personnel ****

Aud Type: VAN	VANEA AUDITS		
Category: DWA	WEAPONS ACTIVITIES	AD:	164 SCOFIELD
DOE-Org: NNS	NATIONAL NUCLEAR SEC	AIC:	765 WILSON
Maj Iss: 011	FINANCIAL MANAGEMENT	HDQ-Mon:	Not Found
Site: SSA	SINGLE-SITE AUDIT	ARM:	Not Found

**** Task Information ****

Task No:	
Task Order Dt:	CO Tech. Rep:
Orig Auth Hrs:	Orig Auth Costs:
Current Auth:	Current Auth Cost:
Tot Actl IPR Hr:	Tot Actl Cost:

**** Time Charges ****

<u>Emp/Cont Name</u>	<u>Numdays</u>	<u>Last Date</u>
DONNELLY, M	3.4	24-AUG-02
SCOFIELD, V	9.3	05-OCT-02
BOYLE, K	43.3	21-SEP-02
WILSON, B	46.4	05-OCT-02
Total:	102.4	

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DATE: November 27, 2002

REPLY TO
ATTN OF: IG-35 (A02LA042/A02LL019)

SUBJECT: Final Report Package for "Recruitment and Retention at the Los Alamos and Lawrence National Laboratories"

TO: Director for Performance Audits and Administration

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 149

Actual Elapsed days: 90

2. Names of OIG audit staff:


Assistant Director: David Sedillo

Team Leader: Ron Archuleta

Auditor-in-Charge: Terri Roberts

Audit Staff: Katherine Balke, David Gonzales, Tania Maybee

3. Coordination with Investigations and Inspections: Adrian Gallegos, Investigations on August 23 and November 13; Henry Minner, Inspections on August 23, and Geoffrey Gray, Inspections on November 20, 2002.


Lawrence R. Ackerly, Division Director
National Nuclear Security Administration
Audits Division
Office of Inspector General

Attachments:

1. Final Report (2)
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: OAS-L-03-06

1. Title of Audit: Recruitment and Retention at the Los Alamos and Lawrence Livermore National Laboratories.
2. Division: NNSA Audits Division/Los Alamos Audit Group
3. Project No.: A02LA042/ A02LL019
4. Type of Audit:

Financial Financial Statement _____ Financial Related _____ Other (specify type): _____	Performance Economy and Efficiency _____ Program Results <u> X </u>
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5.

FINDING		BETTER USED				QUESTIONED COSTS			MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	Recurring			(G) Questioned Portion	(H) Unsupported Portion	(I) Total	(J) C=Concur N=Noncon U=Undec	(K) Y=Yes N=No
			(D) Amount Per Year	(E) No. Yrs.	(F) Total Amount					
TOTALS--ALL FINDINGS					0	0	0	0		

6. Remarks: The Los Alamos Audit Group completed the subject audit and concluded that there are no material findings. The Los Alamos and Lawrence Livermore Laboratories addressed all of the recruitment and retention program objectives. The Laboratories collaborated and developed indicators to track the progress of Critical Skill Employees and assessed current and future workforce projections over the next five years

7. Contractor: None
8. Contract No.: None
9. Task Order No.: None

10. Approvals:
 Division Director & Date *[Signature]* 12/17/02
 Technical Advisor & Date *[Signature]*

Office of the Inspector General (OIG)
 Audit Project Office Summary (APS)

Report run on: November 20, 2002 11:53 AM

Audit#: A02LA042 Ofc: LAA Title: RECRUITMENT RETENTION PROGRAM LOS ALAMOS LAB

**** Milestones ****

	Planned		Revised	Actual
	Profile	End of Survey		
Entrance Conference:	15-JUL-02	22-AUG-02	22-AUG-02	22-AUG-02
Survey Completed:	30-AUG-02	24-OCT-02	24-OCT-02	24-OCT-02
Field Work Complete:				
Draft Report Issued:		15-NOV-02	29-NOV-02	
Exit Conference:				
Completed with Report:	01-MAR-03			()
-----Elapsed Days	229			90
-----Staff Days:	270	0		149
Date Suspended:		Date Terminated:		
Date Reactivated:		Date Cancelled:		
DaysSuspended (Cur/Tot):	0 ()	Report Number:		
Rpt Title:				

**** Audit Codes and Personnel ****

Aud Type: PRR PROGRAM RESULTS	
Category: OTH OTHER	AD: 402 ARCHULETA
DOE-Org: NNS NATIONAL NUCLEAR SEC	AIC: 745 ROBERTS
Maj Iss: Not Found	HDQ-Mon: 432 GAMAGE
Site: SSA SINGLE-SITE AUDIT	ARM: 152 SEDILLO

**** Task Information ****

Task No:	
Task Order Dt:	CO Tech. Rep:
Orig Auth Hrs:	Orig Auth Costs:
Current Auth:	Current Auth Cost:
Tot Actl IPR Hr:	Tot Actl Cost:

**** Time Charges ****

<u>Emp/Cont Name</u>	<u>Numdays</u>	<u>Last Date</u>
ARCHULETA, A	2.6	05-OCT-02
BALKE, K	20.7	16-NOV-02
MAYBEE, T	28.4	02-NOV-02
GONZALES, D	42.7	02-NOV-02
ROBERTS, T	55	16-NOV-02
Total:	149.4	

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A02LA042/A02LL019
2. Title of Audit: Audit on Recruitment and Retention at the Los Alamos and Lawrence Livermore National Laboratories
3. Report No./Date: OAS-1-03-06, November 27, 2002
4. Management Challenge Area: Human Capital
5. Presidential Mgmt Initiative: Human Capital
6. Secretary Priority/Initiative: None
7. Program Code: DP-3 Program Support
8. Location/Sites: Los Alamos National Laboratory
Lawrence Livermore National Laboratory
9. Finding Summary: The Los Alamos Audit Group completed the subject audit and concluded that there are no material findings. We found that Los Alamos and Lawrence Livermore Laboratories (Laboratories) have addressed NNSA's recruitment and retention program objectives. The Laboratories have developed and deployed a multi-laboratory strategy to recruit and retain Critical Skill Employees (CSE).

The Laboratories have collaborated and developed indicators to track the progress of CSE and assessed the current and future workforce projection over the next five years. In addition, the Laboratories have integrated and deployed incentives to recruit and retain CSE. For example, the Laboratories have initiated signing bonuses for new employees, monthly stipends for high turnover areas, flexible work schedules, and mentoring programs to match early career employees with eligible retirees. Along with employee incentives, the Laboratories developed collaboration with other research universities, increased the recruiting personnel, and promoted a positive public perception of the Laboratories.

Although the Laboratories have succeeded in developing and implementing a multi-program strategy to recruit and retain CSE, it is too early to measure the program's effectiveness. Thus, we want to stress the importance of measuring and monitoring the Laboratories efforts to ensure that NNSA's future needs are met.

10. Keywords:

Recruitment

Retention

Critical Skill Employees

Los Alamos National Laboratories

Lawrence Livermore National Laboratories

Signing Bonuses

Monthly Stipends

Flexible Work Schedules

Mentoring Programs

Employee Incentives

Collaboration with other Research Universities

Recruiting Personnel

Public Perception