

Contract Audit

The University of California operates the Lawrence Berkeley National Laboratory (LBNL), a multi-purpose scientific laboratory, on behalf of the U.S. Department of Energy. LBNL's annual budget totals approximately \$700M of which the DOE funds approximately 80%. Other federal, state and local government agencies, universities, and private sector entities provide the funding for the remaining 20% of LBNL's annual budget.

LBNL's financial activity is subject to oversight by a variety of entities including the U.S. Department of Energy (DOE), the University of California (UC) and LBNL Internal Audit Services (IAS). Other entities that also have an oversight role include the DOE Office of Inspector General and the Government Accountability Office.

U.S. Department of Energy Berkeley Site Office (BSO)

BSO provides administrative, legal and contract support over the Lawrence Berkeley National Laboratory and reports to the DOE Office of Science. The University of California manages the Lawrence Berkeley National Laboratory under a DOE contract.

Two examples of the way BSO discharges its laboratory oversight responsibilities include:

- Review and approval of LBNL's Forward Pricing Indirect Cost Rates (e.g., payroll burden, organization burdens, scientific program burdens, general & administrative expenses, etc).
- Inclusion of a performance-based management system within DOE's contract (Contract31) with the University of California, which requires LBNL to self-assess its performance toward a set of objectives, criteria and measures.

University of California Board of Regents - The contracts between UC and the DOE stress performance-based management measured against objective, mutually agreed upon standards. As part of the annual performance appraisal process, the quality of science and technology at the laboratories is assessed by a peer review process. The Berkeley laboratory contract expires in May 31, 2014. Compensation to UC under the contract is based in part on performance against the contract standards. Much of the compensation is returned to the laboratory for research activities.

Aspects of Oversight

- The Board of Regents has ultimate authority for the university's laboratory management. The Regents' [Committee on Oversight of the DOE Laboratories](#), one of the board's seven standing committees, considers matters related to laboratory management, reporting on these matters and referring action to the full board.
- With the approval of the Regents and the concurrence of the DOE, the president of the University appoints the laboratory directors.

- The Regents delegate management oversight of the laboratories to the university president. The vice president – laboratory management reports to the president and is the single point of contact and accountability for all matters related to contracts for laboratory management. The vice president is supported by the provost/senior vice president for academic affairs and the senior vice president for business and finance.
- Reporting to the provost and senior vice president for academic affairs, the Office of Research has responsibility for the programmatic and scientific/technological oversight of the laboratories' performance. The office promotes scientific and academic interactions, and works to resolve programmatic and scientific issues.
- The [Laboratory Management Office](#), part of the UC Office of the President, works closely with the laboratories and the DOE to provide overall contract management and specific oversight in these functional areas: laboratory management; laboratory programs, contract administration, information management; facilities management; environmental safety and health; procurement and property management; human resources; financial systems; and safeguards and security.

The Internal Audit Services (IAS) department assists Lab management at all levels in assessing financial and administrative risks, and evaluating controls designed to address these risks. The Berkeley Lab Internal Audit function is conducted in accordance with the internal audit clause in [Contract 31](#) and under the general guidance of the University of California's University Auditor. IAS conducts reviews of administrative systems and controls to enhance compliance with contract requirements, Lab policies, DOE and government regulations; strengthen accountability and financial integrity; and assess economy, efficiency, and effectiveness. IAS also provides external audit coordination with various agencies in their review of the Lab's financial data and administrative controls.

Audit Charter - The mission, authority, and responsibilities of Internal Audit are outlined in an Audit Charter approved by the Berkeley Lab Director. An Audit Committee has been established to serve in an advisory capacity to the Lab Director in providing overall guidance to the internal audit function.

Access to Information - Internal Audit is authorized with unrestricted access to all personnel, records, properties and other information sources relevant to the performance of its responsibilities. If any restriction is placed upon such access, it shall be reported to Lab Management or to the Audit Committee and noted as a scope limitation in the audit report, along with the potential effect of such a restriction.

Professional Standards - It is the policy of Internal Audit to conduct audits in accordance with *International Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors which are similar standards prescribed by the Comptroller General of the United States (Yellow Book). IAS shall exercise due professional care in the performance of its audits.

Code of Ethics - IAS staff observes the Institute of Internal Auditors' Code of Ethics. In addition, they agree to abide by the Code of Ethical Conduct set forth by the department.

Independence - Internal Audit is independent organizationally and in attitude and appearance. IAS reports directly to the Lab Director and indirectly to UC's University Auditor. In case there is impairment to the independence of the auditor, the auditor shall decline to perform the engagement, or state the impairment in the scope section of the audit report.

Annually, IAS conducts an audit of LBNL's internal controls and financial records to confirm that costs incurred during the past fiscal year and included in LBNL's annual Statement of Costs Incurred and Claimed are allowable, allocable and reasonable in accordance with contract requirements and applicable regulations.

Additionally, PriceWaterhouse and KPMG perform two external audits every year: a University of California financial statements audit and a similar one for the Department of Energy's annual report.

U.S. Department of Energy Office of Inspector General (OIG)

Every third year the OIG conducts an audit of the changes to the internal control structure and their impact on the allowability of costs claimed by and reimbursed to LBNL under the DOE contract No. [DE-AC02-05CH11231](#). To verify that the work of the internal auditors could be relied upon, the OIG assesses the internal auditors' qualifications, independence, and audit workpapers, and tests the work of the internal auditors.

LBNL Director's Assurance Letter

The Laboratory Director issues a letter to the DOE regarding his 'Annual Evaluation and Reporting of Management Control Systems'. The letter provides a forum for the Director to state his opinion as to whether the Laboratory maintains adequate internal accounting and management controls to provide reasonable assurance that:

- Programs and administrative functions are performed in an economical and efficient manner consistent with applicable laws;
- Property, funds, and other resources are safeguarded against waste, loss, unauthorized use or misappropriation;
- Obligations and costs comply with applicable law; and
- Revenues and expenditures applicable to the Department of Energy's (DOE) operations are recorded and accounted for properly so accounts and reliable financial statistical reports may be prepared and accountability of assets maintained.

The Director's statement is based upon the results of numerous external and internal audits, appraisals, reviews, and self-assessments performed during the prior fiscal year and the assurance of senior Laboratory officials who have a comprehensive understanding of the Laboratory's programs, financial and administrative systems.

Supplemental Project-Specific Audit Work

Although all of the Lab's work is generally included in the scope of various audits performed by Internal Audit Services, they can perform limited testing and review of specific projects in order to provide the sponsors with further assurance of cost validity, allocability and reasonableness.