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Watchdogs Urge Big Cut to Contractor Fees at the Sandia Labs

Washington, DC and Santa Fe, NM – Today, the Project On Government Oversight and Nuclear Watch New Mexico sent the Department of Energy Secretary a letter urging that the FY 2014 contractor incentive award fee for the Sandia National Laboratories be completely denied. The two watchdog organizations wrote to the Secretary earlier this month to urge him to cut performance incentive award fees at least in half for the Los Alamos Lab contractor because of substandard performance that led to the contamination of 21 workers at the Waste Isolation Pilot Plant and the indefinite closure of that multi-billion facility. As deplorable as the Los Alamos situation is, the Sandia case is arguably worse because it involves direct violations of federal law that prohibit contractor use of taxpayers’ dollars to lobby the government for further work.

The Sandia Labs are run by the for-profit Sandia Corporation, wholly owned by the country’s largest contractor, the Lockheed Martin Corporation. According to its current contract with the federal government, the Sandia Corporation could earn up to \$9.8 million in FY 2014 performance incentive award fees (it also stands to receive \$18.3 million in fixed fees). In addition, Lockheed Martin could receive \$2.8 million for “Home Office And Other Corporate Support,” which includes the subcategory “Provision of Corporate Ethics.” The Department of Energy should refuse to pay both because of improper lobbying of Congress and federal officials and Lockheed Martin’s ethical failure while doing so.

The Sandia Corporation’s unlawful lobbying has been well documented in two recent Department of Energy Inspector General reports. The first report concluded that Sandia had improperly paid ex-Congresswoman Heather Wilson (R.-NM) around \$226,000 in consulting fees to lobby for additional work for the Sandia Labs. This began in January 2009, the day after she stepped down from office representing the congressional district in which Sandia is located. The DOE IG investigation forced the Sandia Corporation to reimburse the government the monies it had received to pay Wilson.

The second DOE IG report concluded:

We believe that the use of federal funds for the development of a plan to influence members of Congress and federal officials to, in essence, prevent competition was inexplicable and unjustified... The evidence indicated that SNL and LMC [Lockheed Martin Corp.] officials had conversations with members of Congress and federal officials to convince the department, NNSA and Congress of the merits of contract extension without competition.

Peter Stockton, POGO's senior investigator, commented, "This blatant attempt to pass along lobbying costs to taxpayers is revolting. Another example of catch me if you can. Reimbursement isn't enough; DOE must punish Sandia for violating the law."

Jay Coghlan, Nuclear Watch Director, commented, "The for-profit Sandia Corporation has made no public acknowledgment of responsibility or remorse. The Department of Energy must seriously cut Sandia's award fees to make sure contractors get the message that business as usual corrupted by unlawful lobbying will no longer be tolerated. There should be no more contract extensions. Instead the management contract should be put out to bid as previously planned, until it was short-circuited by the Sandia Corporation's illegal actions."

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The POGO/Nuclear Watch NM letter to DOE Secretary Ernest Moniz urging reduced award fees for the Sandia Labs contractor is available at <http://nukewatch.org/importantdocs/resources/POGO-NukeWatch-Moniz-Sandia-performance-12-19-14.pdf>

For the DOE IG reports, see:

Concerns with Consulting Contract Administration at Various Department Sites, [Inspection Report: DOE/IG-0889](#), June 7, 2013, and *Alleged Attempts by Sandia National Laboratories to Influence Congress and Federal Officials on a Contract Extension*, [Special Inquiry: DOE/IG-0927](#), November 2014