

GAO

Report to the Ranking Minority Member,
Subcommittee on Post Office and Civil
Service, Committee on Governmental
Affairs, U.S. Senate

March 1995

DOE MANAGEMENT

Selected Information on the Workforce at DOE's Livermore Laboratory





United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-259941

March 16, 1995

The Honorable David H. Pryor
Ranking Minority Member, Subcommittee
on Post Office and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Senator Pryor:

To accomplish its missions, the Department of Energy (DOE) hires contractors to manage and operate its facilities and pays for the salaries and benefits of the employees at these facilities. Because of concerns about the overall size of the federal government including the “shadow government”—contractors and consultants—you asked us to provide you with information on the workforce at the Lawrence Livermore National Laboratory (laboratory), one of the facilities operated for DOE by the University of California (university). Specifically, for the laboratory’s workforce (DOE, university, and other personnel), we are providing you with information on (1) the number of personnel by occupational category, such as scientist and engineer; (2) the salaries of the personnel in these occupational categories; and (3) the benefits provided to them. In addition, we are providing you with information on how salaries and benefits for the university’s employees at the laboratory are determined.

Results in Brief

As of September 30, 1994, there were 9,706 personnel at the laboratory, including 114 DOE employees, 8,378 university employees, and 1,214 other personnel—supplemental labor personnel obtained through contracts with outside vendors to provide administrative and technical support. When we divided this workforce into six broad occupational categories, about 36 percent were in the scientists and engineers category (the largest category); about 25 percent were in the technicians category; about 25 percent were in the administrative category; and the remainder were in the security and safety; management; and facilities, machinists, and other categories.

As of September 30, 1994, the highest maximum salaries were paid to the university’s scientists and engineers. Within this occupational category, the annual salaries for the university’s scientists and engineers ranged up to \$170,000, while the salaries for DOE’s scientists and engineers ranged up to \$93,516. These salaries were not comparable because even when DOE’s

and the university's employees were in the same occupational category, they were not necessarily performing the same functions. For example, DOE's scientists and engineers generally were responsible for DOE's program management activities, such as administrative and technical oversight of the laboratory's work, while the university's scientists and engineers generally conducted or managed the actual research.

The laboratory's workforce received benefits that included annual and sick leave, paid holidays, medical and life insurance, and retirement benefits. In general, the benefits offered to the university's employees and supplemental labor personnel were fully paid by the employer, while DOE's employees had to pay for a portion of their benefits.

DOE sets overall annual salary increases for the university's employees at the laboratory and reviews all salaries exceeding specified thresholds. DOE requires the university to justify its annual request for salary increases at the laboratory via surveys of salaries in the competitive market. DOE's approval is required for annual salary increases and salaries exceeding specified thresholds. Since August 1994, the threshold has been \$100,000. The university's management at the laboratory, however, has the discretion to establish the starting salaries of newly hired employees, and DOE has agreed that the university's employees at the laboratory will receive the same package of benefits offered to the university's other employees.

Background

DOE operates a network of facilities engaged in research and nuclear weapons production, such as the Lawrence Livermore National Laboratory in California. A feature of DOE's management is its extensive reliance on contractors, a legacy from its use of contractors for the wartime "Manhattan Project," which designed and built the world's first atomic bombs.

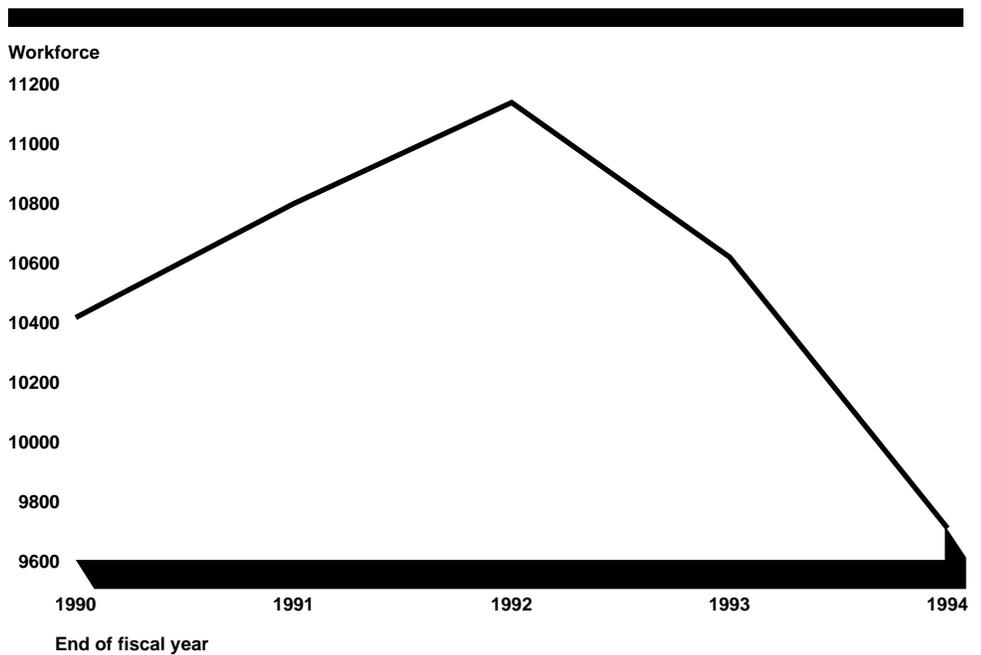
The University of California, one of DOE's earliest contractors, is paid to manage and operate the laboratory within the programmatic guidance and direction and budgetary authority provided by DOE.¹ Dating from 1952, the original contract with the university has been extended numerous times; the latest 5-year extension commenced on October 1, 1992. Under the contract with the university, DOE reimburses the university for the overall costs of operating the laboratory, including the salary and benefits of the

¹DOE also contracts with the university for the management and operation of the Lawrence Berkeley Laboratory in California and the Los Alamos National Laboratory in New Mexico.

university's employees employed at the laboratory and the costs of the supplemental labor contracts.

The number of full- and part-time personnel at the laboratory has decreased since the end of fiscal year 1992 and in the last 5 fiscal years was at its lowest level at the end of fiscal year 1994, as shown in figure 1.

Figure 1: Changes in the Laboratory's Full- and Part-Time Workforce, End of Fiscal Years 1990 Through 1994



Source: GAO's analysis of DOE's and the laboratory's data.

The Scientists and Engineers Category Had the Largest Number of Employees

As shown in table 1, the scientists and engineers occupational category—comprising 3,453 personnel, or about 36 percent of the 9,706 personnel at the laboratory, was the largest occupational category.² This category included occupations such as biologists; physicists; environmental, mechanical, and nuclear engineers; mathematicians; computer scientists; and medical doctors. We used the laboratory's categorization; that is, scientists and engineers who serve in managerial

²As of September 30, 1994, the laboratory classified its employees under 262 job classifications that were arranged into 15 structures, or occupational groups. We condensed these groups into six broad occupational categories. We categorized DOE's employees and the supplemental labor personnel using these same six broad categories.

positions were classified by the laboratory as scientists and engineers rather than as management. The next two largest categories were technicians and administrative personnel. Technicians included personnel who have technical knowledge in scientific, engineering, computer, and other areas and who assist the laboratory's scientists and engineers. Administrative personnel included a wide range of personnel, such as secretaries, accountants, budget staff, procurement and contracting specialists, human resources staff, information systems analysts, and technical writers and editors.

Table 1: Full- and Part-Time DOE, University, and Supplemental Labor Personnel at the Laboratory as of September 30, 1994

Occupational category	Number and percentage of personnel				
	DOE	University	Supplemental labor	Total	Percent
Management	6	143	0	149	1.5
Scientists and engineers	50	3,361	42	3,453	35.6
Technicians	0	2,179	282	2,461	25.4
Facilities, machinists, and others	0	657	254	911	9.4
Administrative	57	1,777	574	2,408	24.8
Security and safety	1	261	62	324	3.3
Total	114	8,378^a	1,214^b	9,706	100.0

^aEight of these personnel held joint appointments as both laboratory employees and university professors. While they were teaching, their salaries were paid by the university.

^bThe laboratory procured the services of these personnel from 16 different vendors under 20 different contracts.

Source: GAO's analysis of DOE's and the laboratory's data.

Highest Salaries Paid to University's Scientists and Engineers

As shown in tables 2 and 3, as of September 30, 1994, the highest maximum salary for personnel at the laboratory was for the university's scientists and engineers, who earned up to \$170,000 annually. The salaries for supplemental labor personnel were not available because the laboratory paid the supplemental labor vendors an hourly billing rate, which included the individuals' salary and benefits and the vendors' profit and overhead.

Of the four occupational categories with both DOE and university employees, the university's average salaries for the management category and the scientists and engineers category were higher. For the remaining two categories—administrative and safety and security—DOE's average

salaries were higher. However, meaningful comparisons between DOE's and the university's salaries cannot be made because the personnel in the same occupational categories were not necessarily performing the same functions. For example, DOE's scientists and engineers at the laboratory were responsible for DOE's program management activities, such as administrative and technical oversight of the laboratory work, while the university's scientists and engineers generally conducted or managed the actual research.

Table 2: Average Annual Salary by Occupational Category for the University's Full- and Part-Time Employees at the Laboratory as of September 30, 1994

Occupational category	Number of employees	Annual salary		
		Minimum	Maximum	Average
Management	143	\$57,420	\$130,000	\$80,335
Scientists and engineers	3,361	9,996	170,000	71,658
Technicians	2,179	15,496	90,180	47,378
Facilities, machinists, and others	657	12,480	60,258	42,468
Administrative	1,777	17,472	78,000	39,729
Security and safety	261	24,482	97,680	37,577
Total	8,378	\$9,996	\$170,000	\$55,488

Source: GAO's analysis of the laboratory's data.

Table 3: Average Annual Salary by Occupational Category for DOE's Full- and Part-Time Employees at the Laboratory as of September 30, 1994

Occupational category	Number of employees	Annual salary		
		Minimum	Maximum	Average
Management	6	\$53,478	\$71,938	\$65,615
Scientists and engineers	50	43,522	93,516	61,039
Technicians	0	0	0	0
Facilities, machinists, and others	0	0	0	0
Administrative	57	21,395	73,619	45,229
Security and safety	1	53,478	53,478	53,478
Total	114	\$21,395	\$93,516	\$53,308

Source: GAO's analysis of DOE's data.

As shown in table 3, the highest salary earned by DOE's employees at the laboratory was \$93,516. However, 307 of the university's employees earned

more than \$100,000 annually.³ Salaries for 14 of the 143 university employees in the management occupational category ranged from \$100,809 to \$130,000—the average salary being \$113,321. Salaries for 293 of the 3,361 employees categorized as scientists and engineers ranged from \$100,000 to \$170,000—the average salary being \$115,667. Scientists and engineers who are also managers were classified as scientists and engineers. For example, the salary of \$170,000, the highest laboratory salary, was paid to a physicist who also was the laboratory's acting director.

The laboratory also employed consultants to provide needed expertise. The laboratory employed 284 consultants during fiscal year 1994 at a cost of about \$2.65 million plus about \$0.5 million in travel costs. On the average, each consultant was paid almost \$9,360 plus about \$1,830 in travel expenses, or about \$11,190 in total. The daily rates paid to consultants ranged from \$146 to \$2,000, and the average daily rate was about \$530.

The Laboratory's Employees Received More Employer-Paid Benefits

DOE has agreed that the university's employees at the laboratory will receive the same package of benefits offered to the university's other employees. University and supplemental labor personnel generally received the same type of benefits as DOE's employees at the laboratory.⁴ For example, all personnel received annual and sick leave, paid holidays, medical and life insurance, and retirement benefits.

DOE paid the cost of the benefits for the laboratory's entire workforce—through direct payments for DOE's own employees and contract reimbursement for university and supplemental labor personnel. In general, benefits for university and supplemental labor personnel at the laboratory were fully paid by the employer. DOE's employees had to pay a share of the cost of their benefits. For example, the university and supplemental labor personnel were offered at least two medical insurance plans that were fully paid by the employer. On the other hand, DOE's employees had to pay at least 25 percent of the cost of medical insurance.

The university's personnel also received an employer-paid benefit not offered to DOE's employees. As required by California state law, the

³As of August 1994, salaries above this level for the university's employees at the laboratory needed DOE's approval.

⁴The laboratory's standard contracts with supplemental labor vendors require that supplemental labor employees receive employer-paid leave, medical insurance, life insurance, and retirement benefits that are generally similar to those offered to the university's employees.

university provided its personnel with disability insurance for nonwork-related injuries. The university funds this coverage instead of paying into the state’s disability insurance fund.

Appendix I describes in detail the benefits offered to DOE, university, and supplemental labor personnel.

DOE Reviews and Approves Salary Increases and Salaries Over Specified Amounts

Under the contract, DOE’s approval is required for annual salary increases and salaries exceeding a specified threshold. The university’s management at the laboratory establishes the starting salaries of newly hired personnel.

The contract specifies a process for authorizing annual salary increases designed to enable the laboratory to pay market rates for similar work outside the laboratory in order to maintain a competitive position. This process requires the laboratory to support its request for salary increases with survey data that reflect competitive market salaries for similar jobs. Although the laboratory is required to use a DOE-specified survey for scientists and engineers, the laboratory selects or conducts the market surveys for other occupational categories as well.

On the basis of its review of the laboratory’s survey materials, DOE determines the overall amount of the annual salary increase. The increase is split between the amounts provided for merit increases and promotions. Table 4 shows the salary increases at the laboratory for the last 3 fiscal years.

Table 4: DOE-Approved Salary Increases for the University’s Employees at the Laboratory

Fiscal year	Salary increase percentage		
	Merit	Promotion	Total
1993	4.35	0.56	4.91
1994	None	0.50	0.50
1995	4.22	0.50	4.72

Source: GAO’s analysis of DOE’s data.

For fiscal year 1994, DOE froze the wages and salaries—except for promotions—of all its contractor employees for a period of 1 year. To ensure that the contractors’ salaries were not increased in following years to negate the savings resulting from this freeze, DOE is limiting the annual salary merit increases for the next 5 fiscal years. For fiscal year 1995, DOE

limited the increase to 4.22 percent rather than the 5.2 percent that would have been needed to achieve comparability with the market.

Any merit increase, promotion, or hiring of new employees that results in an annual salary exceeding the contractually specified threshold must be approved by DOE. This threshold has increased over time, and as of August 1994 was \$100,000.⁵ As of September 30, 1994, 14 managers and 293 scientists and engineers had salaries over \$100,000.

Agency Comments

At the conclusion of our field work, we provided DOE with a detailed statement of the facts presented in this letter and requested a meeting with program officials to discuss their comments. DOE saw no need to meet because it generally concurred with the information contained in this report. However, DOE's Office of Energy Research did question the value of the information, since the university's and DOE's employees in the same occupational category were generally not performing the same functions, as noted in this letter.

We conducted our review from June 1994 through December 1994 in accordance with generally accepted government auditing standards. Appendix II provides a detailed discussion of our scope and methodology.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Energy; appropriate congressional committees; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

⁵According to the contract, the level of salaries requiring DOE's review is being gradually increased, and eventually only the laboratory director's salary will be approved by DOE.

Please call me at (202) 512-3841 if you or your staff have any questions. Major contributors to this report are shown in appendix III.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Victor S. Rezendes". The signature is fluid and cursive, with the first name "Victor" and last name "Rezendes" clearly distinguishable.

Victor S. Rezendes
Director, Energy and
Science Issues

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Figure 1: Changes in the Laboratory's Full- and Part-Time Workforce, End of Fiscal Years 1990 Through 1994

3

Abbreviations

DOE Department of Energy
GAO General Accounting Office

Benefits Provided to DOE, University, and Supplemental Labor Personnel at the Laboratory

This appendix provides information on the basic employer-paid benefits that were provided to Department of Energy (DOE), University of California, and supplemental labor personnel at the Lawrence Livermore National Laboratory as of September 30, 1994.¹

Leave Benefits

The vacation leave, holidays, and sick leave for the laboratory's workforce are shown in table I.1.

Table I.1: Annual Leave Benefits for the Laboratory's Workforce as of September 30, 1994

Benefit	Type of employee					
	DOE		University		Supplemental labor	
	Years of service	Number of days	Years of service	Number of days	Years of service	Number of days
Vacation days	Under 3	13	Under 10	15	Under 5	10
	3 to 15	20	10 to 15	18	5 to 15	15
	15 plus	26	15 to 20	21	15 to 25	20
			20 plus	24	25 plus	25
Holidays	All	10	All	12	All	12
Sick leave	All	13	All	12	All	12

Source: GAO's analysis of DOE's, the university's, and the laboratory's data and the Federal Employees Almanac 1994.

Medical Insurance

As shown in table I.2, the university paid the full cost of three medical plans for the university's employees,² while DOE generally paid 60 percent, but no more than 75 percent, of the premium for its employees' medical coverage. In addition, the university provided dental and optical plans at no cost to the employees; DOE paid only a share of the cost if such care happened to be included in the medical plan selected by the DOE employee. As with the university's employees, supplemental labor personnel were offered at least one fully employer-paid medical, dental, and optical plan.

¹Benefits may vary according to the time worked and duration of the assignment.

²DOE reimbursed the university for these costs.

**Appendix I
Benefits Provided to DOE, University, and
Supplemental Labor Personnel at the
Laboratory**

Table I.2: Medical Insurance Benefits for the Laboratory’s Workforce as of September 30, 1994

Benefit	Type of employee		
	DOE	University	Supplemental labor
Medical plan	Government offers many plans for which it normally pays 60 but not more than 75 percent of the premium.	University offers five health maintenance organization plans (two of which are fully paid by the university) and two fee-for-service plans (one of which is fully paid by the university).	Vendor must provide at least one fully paid health maintenance organization plan and one fee-for-service plan for which the employer pays 75 percent.
Dental plan	Government pays share if medical plan includes such coverage.	Two plans fully paid by the university are offered.	Vendor must offer at least one fully paid plan.
Optical plan	Government pays share if medical plan includes such coverage.	One plan fully paid by the university is offered.	Vendor must offer at least one fully paid plan.

Source: GAO’s analysis of DOE’s, the university’s, and the laboratory’s data and the Federal Employees Almanac 1994.

Life and Disability Insurance Coverage

As shown in table I.3, the university’s employees received employer-paid life insurance coverage for up to the amount of their salary or \$50,000, whichever was less. In contrast, DOE pays one-third of the cost of coverage equal to the amount of roughly 1 year’s salary—up to a maximum of \$136,000—while the employee pays the remainder of the coverage’s cost. For DOE’s employees at the laboratory, whose average salary was about \$53,300, this amounted to about \$18,000 of government-paid life insurance coverage. Supplemental labor employees were provided with at least \$5,000 in employer-paid life insurance coverage.

The laboratory’s workforce was covered by various government-mandated disability insurance programs for work-related injuries. As shown in table I.3, the university’s employees were also provided with a state-required benefit of employer-paid coverage for disabilities not related to work duties that require a doctor’s direct and continual care. Under this coverage, the university’s employees could be paid up to \$800 per month for up to 6 months.

**Appendix I
Benefits Provided to DOE, University, and
Supplemental Labor Personnel at the
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Table I.3: Life and Disability Insurance Benefits for the Laboratory’s Workforce as of September 30, 1994

Benefits	Type of employee		
	DOE	University	Supplemental labor
Life insurance	Insurance coverage approximates annual salary (maximum \$136,000). Government pays one-third of the cost.	Insurance coverage approximates annual salary (maximum \$50,000). University pays full cost.	Vendor must provide at least \$5,000 in employer-paid group life insurance coverage.
Disability insurance	Federal Employees’ Compensation Act covers injuries sustained in performance of duties.	State workers compensation covers injuries sustained in performance of duties. University pays full cost of insurance coverage for nonwork injuries.	State workers compensation covers injuries sustained in performance of duties.

Source: GAO’s analysis of DOE’s, the university’s, and the laboratory’s data and the Federal Employees Almanac 1994.

Retirement Benefits

As shown in table I.4, DOE’s and the laboratory’s employees participated in defined benefit retirement plans that were primarily funded through the employer’s contributions. Because of a funding surplus in the university’s retirement plan, no contributions from the employer are currently required, and the contributions of the university’s employees at the laboratory have been redirected to a separate defined contribution plan. DOE’s employees contribute 7 percent of their salary for retirement coverage under one plan or 8.45 percent under the second plan, including Social Security tax.

Both DOE’s and the university’s employees were recently offered a voluntary early retirement program. Both programs offered lump-sum payments—3 months’ salary for the university’s employees and up to \$25,000 for selected DOE employees. In addition, the university’s employees at the laboratory were offered age and service credits (the factors that determine the percentage of base pay used to calculate their retirement income) of 6 years and a 7-percent increase in the base salary. In contrast, DOE’s employees were not offered the age or service credits or the 7-percent increase. The university’s employees had to meet the minimum eligibility requirements for retirement (50 years of age with 5 years of service), and DOE’s employees were eligible for the early retirement if they were 50 years of age with 20 years of service or had 25 years of service at any age. The retirement pay of DOE’s employees, however, was reduced for every year they were below the age of 55.

**Appendix I
Benefits Provided to DOE, University, and
Supplemental Labor Personnel at the
Laboratory**

It is difficult to compare retirement plan benefits because of different eligibility requirements (such as those discussed above) and different methods of calculating benefits. The retirement pay for DOE's employees, for example, is a percentage of base salary that is determined by their years of service. The retirement pay of an employee with 30 years of service is at most 56.25 percent of his/her base salary.³ On the other hand, the retirement pay of the university's employees is a percentage of base pay determined by both their years of service and their age when they retire. The university's employees retiring with 30 years of service would receive 72.3 percent of their base pay if they retire at age 60 but only 45 percent if they retire at age 55.⁴

Table I.4: Retirement Benefits for the Laboratory's Workforce as of September 30, 1994

Type of employee		
DOE	University	Supplemental labor
Government's defined benefit plans provide annuity that is based on years of service and salary. Retirement prior to age 55 generally results in reduced benefits. Maximum retirement pay is 80 percent of base pay and would take about 42 years of service to achieve. ^a	University's defined benefit plan provides benefits that are based on age, salary, and years of service. The employee must work until age 60 to obtain the highest percentage of retirement pay. Maximum retirement pay is 100 percent of base pay and would take about 41.5 years of service to achieve, if retiring after age 60.	Vendor must provide a federally approved pension plan; employer's contribution must be at least 10 percent of the participant's compensation.
Defined contribution plan is offered.	Defined contribution plan is offered.	

^aUnder the second retirement plan available to DOE's employees, there is no maximum; however, it would take over 70 years to achieve 80 percent of base pay.

Source: GAO's analysis of DOE's, the university's, and the laboratory's data and the Federal Employees Almanac 1994.

The supplemental labor vendors were required to provide a retirement plan, and the employers' contribution to this plan had to be at least 10 percent of the participants' compensation.

³An employee earns up to 16.25 percent for the first 10 years of service and up to 2 percent for each additional year after than.

⁴The percentage gradually increases from 1.09 percent for every year of service if an employee retires at age 50 to the maximum of 2.41 percent for every year of service if an employee retires at age 60.

Objectives, Scope, and Methodology

Our objectives for this review were to identify, for the DOE, university, and other personnel at the laboratory, information on the (1) number of personnel by occupational category, (2) salaries by occupational category, and (3) benefits provided to them. In addition, we also obtained information on how salaries and benefits for the university's employees at the laboratory are determined. Information and data used in this report were obtained primarily from DOE's Oakland Operations Office and Lawrence Livermore National Laboratory.

To determine the number of full- and part-time personnel in the laboratory's workforce by occupational categories, we obtained personnel data from the laboratory on the university's employees at the laboratory. As of September 30, 1994, the laboratory classified its employees into 262 job descriptions that were arranged into 15 structures, or occupational groups. We accepted these laboratory classifications, even though some were debatable. For example, scientists and engineers who were also managers were classified as scientists and engineers. We condensed these data into six broad occupational categories. We then obtained similar data for the DOE and supplemental labor personnel from DOE and the laboratory, respectively. We analyzed these data and categorized the personnel into the same six broad occupational categories. We also obtained historical data from DOE and the laboratory on the number of personnel in the laboratory's workforce.

To determine the salaries of the personnel in the laboratory's workforce, we obtained salary information from DOE and the laboratory for DOE's and the university's employees at the laboratory as of September 30, 1994. We then determined the range of salaries and calculated the average annual salaries for each occupational category for both DOE's and the university's employees. While we presented the information for the two groups by using the same occupational categories, a Personnel Management Specialist from the Office of Personnel Management pointed out that it would be misleading to compare salary data for DOE's and the university's employees by these broad occupational categories or even more specific job titles. According to the specialist, valid comparisons between organizations can be made only when one is comparing salaries for comparable work. For the work to be comparable, individuals would have to have similar responsibilities, knowledge, degree of independence or required supervision, and education. To identify comparable positions would require a detailed analysis of a sample of individuals in both organizations. Such an analysis was beyond the scope of this assignment.

Salary data for supplemental labor personnel were not available from the laboratory because the laboratory paid the supplemental labor vendors an hourly rate that included the vendors' profit and overhead as well as the salary and benefits for the individuals doing the work.

To determine the benefits provided to the university and supplemental labor personnel at the laboratory, we interviewed laboratory officials and obtained copies of the university's and the laboratory's benefit program documentation. For DOE employees, we interviewed DOE officials and consulted the Federal Employees Almanac 1994. We used the Almanac because it provides a concise and easily understood summary of federal benefits, but we verified the accuracy of the information by tracing the key provisions to title 5 of the U.S. Code, Government Organization and Employees. Some of the university's employees were employed before the establishment of the University of California Retirement Plan. As of September 30, 1994, 180 university employees at the laboratory were covered by the older and larger California Public Employees Retirement System, which covers California's state and local government employees. Neither this plan nor the benefits provided to its members were discussed in the report.

To obtain information on the process used to determine the salaries of and benefits for the university's employees at the laboratory, we interviewed DOE and laboratory officials, reviewed applicable contract provisions, and examined the laboratory's requests for annual salary increases and DOE's review process. In addition, we reviewed DOE's approval process for salaries exceeding specified limits.

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