

Report: Sandia violated rules in lobbying for contract extensions
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An investigation into Sandia Corp., which operates the Department of Energy's Sandia National Laboratories, found evidence that the company violated government regulations when federal funds were used in attempts to influence members of congress and government officials for an extension of its noncompetitive contracts.

Starting in 2009, Sandia Labs, a federally funded research center, began developing an in-house lobbying strategy to extend existing contracts for managing the facility at Kirtland Air Force Base in Albuquerque, N.M., which was set to expire in September 2012.

While lobbying government officials is not explicitly illegal, an investigation by the Office of Inspector General and Office of Audits and Inspections showed that these efforts were paid for using federal funds in violation of a number of laws and regulations.

Read the Special Inquiry report.

Before the contracts were set to expire, Sandia pulled together a team of consultants to work on getting an extension, according to the report. Documents obtained by the IG showed that influencing congressional and federal officials was an explicit part of the working group's plan.

The investigation details the development of an advanced strategy to sway then-Energy Secretary Steven Chu, appointed in early 2009, as well as the New Mexico congressional delegation and other key congressional officials and committee chairs.

"In our view, these actions were in conflict with applicable statutory and regulatory requirements," the IG wrote. "As best we could determine, these efforts were funded through the contract instrument, thus the costs were borne by the U.S. taxpayers."

Sandia and parent company Lockheed Martin began implementing this strategy in March 2009 with the goal of extending the noncompete contract for an additional seven years with another 12-year add-on option, the IG reported.

Sandia was awarded a 12-month extension of its \$2.4 billion annual contract in 2012, along with two six-month add-ons. The contract was again extended for an additional two years in March 2014, with an optional third year.

By 2017, the National Nuclear Security Administration (NNSA) plans to hold an open competition for the contract, according to the report.

Initially, Sandia Labs argued that these efforts were "typical activities for any contractor intent on continuing a relationship with its sponsor, especially a long-term relationship." A 2010 internal email offered precedent for the practice, noting that Sandia paid for lobbying efforts in 1998 and 2003 using operational funds, the report said. However, the IG rejected that defense.

“Given the specific prohibitions against such activity, 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 IG wrote.

As evidence, the report cited a 2004 letter from Sandia’s legal counsel on costs associated with the laboratory assisting Lockheed Martin in lobbying efforts.

“Neither Sandia nor NNSA could tolerate even the suspicion that Sandia was assisting in the competition at prime contract expense,” legal counsel stated.

The report recommended Sandia develop stronger policies around lobbying strategies to ensure that federal funds are not used, as well as determining how much the strategy team was paid and reimburse the government for any unallowable expenses.

In response to the investigation, Sandia has convened a committee to review the salaries and fees associated with the contract strategy team and plans to reimburse NNSA for any related costs.