



Department of Energy
Thomas Jefferson Site Office
12000 Jefferson Avenue, Suite 14
Newport News, Virginia 23606

January 11, 2010

Dr. Hugh E. Montgomery
President and Laboratory Director
Jefferson Science Associates, LLC
Thomas Jefferson National Accelerator Facility
12000 Jefferson Avenue
Newport News, VA 23606

Dear Dr. Montgomery:

CONTRACT DE-AC05-05OR23177, TRANSMITTAL OF BIENNIAL PRICING REPORT

The purpose of this letter is to transmit the Oak Ridge Financial Service Center (ORFSC) Biennial Pricing Report. The purpose of the review is to ensure that Jefferson Science Associates, LLC (JSA) is charging customers full-cost recovery for any good or service produced and sold by JSA for the Department and to ensure that JSA obtained proper advance funding for User Facility activities. The report is enclosed for your information and use. There are no issues identified in the report, and there is no action required on your part.

If you have any questions, please contact Jerry McKeehan of the ORFSC at (865) 576-0863 or Dennis Brittin of my staff at extension 7173.

Sincerely,


James A. Turi, Manager
Thomas Jefferson Site Office

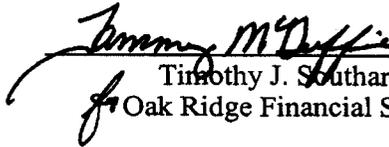
Enclosure

cc w/encl:
J. Scarcello

U.S. DEPARTMENT OF ENERGY
OAK RIDGE OFFICE
OAK RIDGE FINANCIAL SERVICE CENTER
FINANCIAL LIAISON BRANCH

Biennial Pricing Review
Fiscal Years 2008 and 2009
Thomas Jefferson National Accelerator Facility
Jefferson Science Associates
Contract No. DE-AC05-06OR23177

Approved by:



Timothy J. Southard, Director
for Oak Ridge Financial Service Center

December 22, 2009

Background and Purpose

The Thomas Jefferson National Accelerator Facility (Jefferson Lab) is operated by Jefferson Science Associates, LLC (JSA), under a management and operating (M&O) contract DE-AC05-06OR23177 with the Department of Energy (DOE). JSA has been the performance based contractor for Jefferson Lab since 2006.

Jefferson Lab routinely sells, for the benefit of the Department, goods and services to other Federal agencies, states, municipalities, non-profit organizations, and commercial entities. With only limited exceptions, prices charged must conform to the requirements of the Office of Management and Budget (OMB) Circular A-25, *User Charges*, and the Department's pricing policy DOE Order 522.1, *Pricing of Departmental Materials and Services*.

The DOE general pricing policy, as set forth in DOE Order 522.1, requires that full cost be charged for materials and services provided to organizations and agencies outside DOE. Full cost includes all direct costs incurred in performing work, all allocable costs incurred by DOE and its site/facility management contractors, and a Federal Administrative Charge (FAC) of three percent of these costs. The pricing policy provides a limited number of exceptions to the requirement to assess the three percent FAC. The DOE Order requires that Field Chief Financial Officers review prices every two years to ensure that prices reflect full cost incurred.

A review step was included to ensure that JSA obtained proper advance funding for User Facility activities. When User Facilities are made available for proprietary research, DOE Order 522.1 requires that the users be charged a fee that realizes full-cost recovery, including FAC. Additionally, Chapter 13 of the DOE Accounting Handbook requires the users to provide advance funding for the research. The advance funding ensures that DOE funds are not used, even on a temporary basis, to cover any of the non-DOE entity user's cost.

The purpose of this review is to ensure that JSA is charging customers full cost recovery for any good or service produced and sold by Jefferson Lab for the Department, and to ensure that JSA obtained proper advance funding for User Facility activities.

Scope and Methodology

The review was performed during November and December 2009 by Oak Ridge Financial Service Center staff members and covered fiscal year (FY) 2008 and FY 2009. The work was limited in magnitude and detail. The work is not a substitute for an audit.

The scope of the review was to provide reasonable assurance that:

- prices conform to the requirements of OMB Circular A-25, DOE Order 522.1, or other legislative authority, as applicable;
- adequate documentation exists for prices established for materials and services;
- exceptions granted to the Department's full cost recovery policy are limited only to those delineated in DOE Order 522.1; and



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- proper advance payments are obtained for non-DOE use of DOE User Facilities.

JSA obtained revenue for FY 2008 and FY 2009 from the following activities:

- Reimbursable Work for Others (WFO) Program
- Technology Transfers (Cooperative Research and Development Agreements [CRADA])
- Related Party Transactions
- User Facility
- Other

The review work included the following steps:

- Identify revenue by FY, month, and source.
- Obtain pertinent identifying information from Jefferson Lab on the revenue providers.
- Select a judgmental sample considered representative of the revenue sources/types found at Jefferson Lab.
- Obtain and review the supporting documentation to determine if the costs billed were properly priced and reflect all cost for all items contained in the sample.
- Determine if proper advance payments were obtained for User Facility revenue.

The table below shows the number and value of JSA revenue activities during FY 2008 and FY 2009, and the number and amounts of agreements sampled.

Revenue Category	FY 2008				FY 2009			
	Number	Dollar Amount	Sample	Dollar Amount	Number	Dollar Amount	Sample	Dollar Amount
WFO								
Federal	23	\$ 9,063,985	2	\$ 2,863,159	30	\$ 7,166,800	2	\$2,250,545
Non-Federal	10	<u>307,875</u>	1	<u>130,617</u>	13	<u>1,162,344</u>	1	<u>685,324</u>
Subtotal -WFO		\$ 9,371,860		\$2,993,776		\$ 8,329,144		\$3,265,869
CRADAs	3	\$ 159,574	1	\$ 124,439	7	\$ 400,094	1	\$214,574
User Facility	36	2,772,713	3	489,096	27	2,018,828	3	333,281
Royalties	5	40,171	1	12,500	8	76,807	1	56,064
Other	2	<u>126,731</u>	0	<u>0</u>	4	<u>480,470</u>	0	<u>0</u>
Total		\$ 12,471,049		\$3,619,811		\$ 11,305,343		\$3,869,788

Review Results and Conclusion

Based on the review, we found that the JSA pricing policies and procedures were in compliance with Departmental guidance contained in the OMB Circular A-25, DOE Order 522.1, and DOE Accounting Handbook. Furthermore, adequate documentation exists for prices established for materials and services, and exceptions granted to the Department's full-cost recovery policy were limited only to those delineated in DOE Order 522.1. In addition, JSA obtained proper advance funding, as appropriate, for user facility activities.

