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Thursday, July 13, 2006



## Headline News

### IG report said to support the whistleblowers

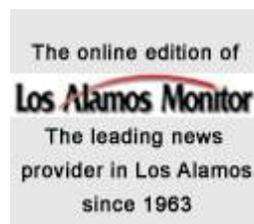
ROGER SNODGRASS, [roger@lamonitor.com](mailto:roger@lamonitor.com), Monitor Assistant Editor

A report by the Department of Energy Inspector General validated financial management problems uncovered by internal auditors at Los Alamos National Laboratory that were not acknowledged at the time. The report surfaced as a result of a request under the Freedom of Information Act in a whistleblower complaint against the University of California. It was released to attorney Lynne Bernabei on June 30.

"The audit pretty much corroborates the audit findings of Tommy Hook and Chuck Montano concerning the unallowable costs at Los Alamos." Bernabei said Hook and Montano brought suit against the University of California and laboratory officials in a dispute related to the management crisis that resulted in the resignation of former director John Brown in January 2004.

While UC and laboratory officials claimed publicly to be auditing and correcting financial problems at the laboratory, the complaint declares, they were suppressing information and pressuring their own auditors to avoid problems areas.

The inspector general's audit increases the claims on the University of California by another \$8 million, based on audits that Hook and Montano helped perform, while noting that about \$14.7 million are



unresolved from previous matters, dating from 1996 to 2002.

The report, dated December 2005, said that the contracting officer was still making a final determination on the questioned costs, awaiting guidance from the National Nuclear Security Administration Office of Financial Management.

A spokesman for the University for the University of California said this morning that the negotiations were a normal part of closing out a contract.

"These are large contracts," said spokesman Chris Harrington, "We will work with the Department of Energy to reach a resolution as appropriate."

At the Los Alamos Site Office, a spokesman said the local NNSA managers had not yet received information on what comments could be made.

By way of background, the IG report refers to management cuts going back to 1992 and resulting in a procedure by which the IG's oversight function began to rely upon self-reported information provided by a contractor's internal auditors.

In this case, the authors wrote, the laboratory's audits met the necessary standards and that \$8 million in unallowable costs cited by the auditors were valid and that there is "more than a relatively low risk that unallowable costs are claimed and reimbursed to Los Alamos."

Unallowable costs were cited for excessive costs for meals and per diem, lack of documentation for travel and to justify express freight charges.

While trying to validate the overcharges related to freight that the lab's internal auditors had documented, the IG's auditors found that the lab had released a questionnaire to employees, "that pre-empted our interviews concerning freight costs."

The report said management "generally concurred with our findings."

Chuck Montano, one of the principals in the whistleblower suit said this morning that he was among the auditors who was transferred from the University of California's President's Office to Los Alamos National Laboratory in 1987, which effectively ended independent auditing of the laboratory.

"We were concerned that we would end up where we are now - subject to retaliation, with careers damaged or terminated, or isolated like me."

He said congress has placed auditors in an untenable position. "Either they lose their professional standing by failing to report what they have discovered, or lose their jobs or careers if they do report," he said.

Although he is still employed at the laboratory, Montano believes he has been marginalized and sidelined in retaliation for his findings.

Tommy Hook, who is also a party in the suit, left the laboratory after a violent incident at a Santa Fe nightclub in June 2005, when he was savagely beaten while leaving the club.

Hook claimed he was attacked in order to intimidate him from giving testimony, but an investigation by the Santa Fe police department rejected any connection between the beating and Hook's status as a whistleblower.

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