



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

October 30, 2013

MEMORANDUM TO: Mark A. Satorius
Executive Director for Operations

FROM: Stephen D. Dingbaum */RA/*
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
CONTRACT ADMINISTRATION OF THE EPM CONTRACT
(OIG-12-A-18)

REFERENCE: DIRECTOR, OFFICE OF ADMINISTRATION,
MEMORANDUM DATED AUGUST 27, 2013

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated August 27, 2013. Based on this response, Recommendations 1, 3, and 4 remain in resolved status. Recommendation 2 was closed previously. Please provide an updated status of the resolved recommendations by June 2, 2014.

If you have questions or concerns, please call me at 415-5915, or R.K. Wild, Team Leader, at 415-5948.

Attachment: As stated

cc: R. Mitchell, OEDO
K. Brock, OEDO
J. Arildsen, OEDO
C. Jaegers, OEDO

Audit Report

AUDIT OF NRC'S CONTRACT ADMINISTRATION OF THE EPM CONTRACT

OIG-12-A-18

Status of Recommendations

Recommendation 1: Update Management Directive [MD] 11.1 to reflect current contract administration-related terminology, including current process flow charts illustrating specific contractor invoice review procedures.

Agency Response Dated
August 27, 2013:

The Office of Administration's (ADM) Division of Contracts (DC) has developed draft language in MD 11.1, "NRC Acquisition of Supplies and Services," to include general invoice review guidance and current terminology for Contracting Officer Representatives (CORs). Once published, MD 11.1 will establish overall COR invoice review and approval policies for the agency.

Target Completion Date: May 31, 2014
Point of Contact (POC): Joseph Schmidt

OIG Analysis:

The proposed actions meet the intent of OIG's recommendation. OIG will close this recommendation upon issuance, and OIG review, of the revised Management Directive 11.1 that includes (1) current contract administration-related terminology, and (2) general as well as specific instructions for the varying complexity of contract types/vehicles on invoice review policies, procedures, standards, and workflows. An example of a complex contract affecting the invoice review process is cited in the audit report on page 2, where an umbrella contract required participation and input from multiple offices, which could potentially cause deviations from the normal processing and approval of invoices by CORs.

OIG notes that NRC has included a flowchart in NRC's Enterprise Acquisition Toolset (NEAT) for the COR invoice review process as a part of the response for Recommendation 3. OIG believes that Enclosure 3 could be used to fulfill Recommendation 1, if updated to include

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Status of Recommendations

Recommendation 1 (cont'd.)

general as well as specific scenarios for both simple and more complicated contract types/vehicles, such as umbrella contracts.

Status: Resolved.

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Status of Recommendations

Recommendation 3: Develop and implement an agencywide standard to guide the invoice review and approval process with a requirement to routinely evaluate source documentation, including but not limited to labor hour timesheets and contractor certified payroll records, as appropriate for the contract type and nature of services provided.

Agency Response

Dated August 27, 2013: DC completed its invoice guidance on June 26, 2013, and the guidance was made available to agency employees on July 1, 2013, through the U.S. Nuclear Regulatory Commission (NRC) Enterprise Acquisition Toolset (NEAT). The invoice guidance provides extensive invoicing information, processes, and procedures to assist CORs during their invoice reviews. The guidance emphasizes the need for quality COR reviews supported by relevant and reliable contractor information and supporting documentation, including source documents (e.g., receipts, logs, timesheets, and payroll records). The guidance also explains important issues such as what constitutes a valid invoice, COR and Contracting Officer (CO) invoice responsibilities, the importance of accurate and complete invoice information, documentation requirements, internal agency controls, typical invoice problems, specific invoice activities, and common definitions. The new invoice review guidance and checklists are expected to enhance the overall quality of COR invoice reviews. In addition, the CO has a fundamental role to monitor contractor invoices and is now required to conduct at least one annual post-payment invoice review each year. Additional CO reviews will depend on the level of noncompliance demonstrated by the contractor.

A copy of the new guidance can be found in NEAT at the following locations:

Enclosure 1 - Invoice Review and Approval Guidance:
<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=772>

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Status of Recommendations

Recommendation 3 (cont'd.):

Enclosure 2 - NRC's "Acquisition Guidebook for Contracting Officer's Representatives," pp. 118–150, Section: "Invoice Review and Approval Process":
<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1268>.

DC coordinated with the Office of the Chief Financial Officer in developing invoicing review procedures and a general flowchart as follows:

Enclosure 3 - Illustrating the COR invoice review process. The flowchart is available in NEAT at
<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1262>.

DC developed three COR invoice review checklists used in a pilot program to gauge usefulness and practicability. Based on the results of the pilot and other employee input received, the checklists have been made available as optional tools. However, COs may require the use of the invoice review checklists, particularly in cases where the U.S. Government is exposed to a significant level of cost risk. In such cases, the COR Delegation and Appointment Memorandum is as follows:

Enclosure 4 - Acquisition Instruction #2011-07 will indicate the required use of the appropriate invoice review checklist. The COR and his or her supervisor are both required to sign the memorandum acknowledging the responsibilities of the COR, including this requirement.

The three COR Invoice Review Checklists are available in NEAT as follows:

Enclosure 5 - COR Invoice Review Checklist (Cost-Reimbursement Type Contracts/Orders):
<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=621>.

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Status of Recommendations

Recommendation 3 (cont'd.):

Enclosure 6 - COR Invoice Review Checklist (Fixed-Price Type Contracts/Orders):

<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=624>.

Enclosure 7 - COR Invoice Review Checklist (Time-and-Materials/Labor-Hours Type Contracts/Orders):

<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=627>.

DC Acquisition Instruction 2013-03 is as follows:

Enclosure 8 - This instruction was issued on August 8, 2013, to inform DC employees of new invoice review procedures and checklists available. The acquisition instruction is available in NEAT at:

<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1265>.

ADM recommends that this recommendation be closed.

POC: Joseph Schmidt

OIG Analysis:

The proposed actions meet the intent of OIG's recommendation. OIG will close this recommendation when the following recommendation points are addressed:

- (1) Enclosures 1 and 2 do not clearly distinguish the roles and responsibilities between the COR and the CO with regard to the invoice review process. For example, it would be helpful to clearly delineate that the COR has the day-to-day responsibility of the invoice review and approval, whereas the CO ultimately relies on the COR for quality and cost control for the majority of the year.

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Status of Recommendations

Recommendation 3 (cont'd.):

- (2) Enclosures 1 and 2 do not address the potential for CORs to work collaboratively through "multi-office coordination," in the instances with multiple CORs under complex or umbrella contracts.
- (3) Enclosures 1 and 2 provide for periodic review, but do not specify a standard of *routine* evaluation of source documentation, as appropriate for the contract type and nature of services provided.

Status: Resolved.

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Status of Recommendations

Recommendation 4: Using the new agencywide standard, certify the accuracy of invoices received from and payment made to the contractor since the inception of Contract # NRC-DR-33-10-303 through its closeout.

Agency Response Dated
August 27, 2013:

DC used the services of an independent contractor to review contractor invoices submitted under the Enterprise Project Management (EPM) contract to verify the accuracy and completeness of invoices. The contractor reviewed approximately 100 invoices and identified a number of inconsistencies and documented their findings. The independent review was completed by April 23, 2013. The most significant questioned costs raised during the review related to several missing invoices. This information was subsequently shared with the CO who resolved the matter. In addition, there were several inconsistencies found regarding travel costs, and a process has been established under the EPM contract for CORs to follow when authorizing and documenting contractor travel. The process includes a travel request review and approval workflow, narrative explaining the necessary steps, and log sheet.

Enclosures 9 – 11 - This travel process was specifically designed to address travel inconsistencies unique to the EPM contract and applies to EPM task orders only.

ADM recommends that this recommendation be closed.

POC: Sharlene McCubbin

OIG Analysis: The described actions partially meet the intent of OIG's recommendation. This recommendation will be closed when OIG receives and subsequently reviews the independent contractor's methodology and results to certify the invoices submitted from inception through closeout under Contract # NRC-DR-33-10-303.

Status: Resolved.