

April 9, 2001

MEMORANDUM TO: William D. Travers  
Executive Director for Operations

Jesse L. Funches  
Chief Financial Officer

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

SUBJECT: MEMORANDUM REPORT: REVIEW OF UNBILLED  
SUBCONTRACTOR COSTS SUBMITTED BY COMPUTER  
SCIENCES CORPORATION (OIG-01-A-09)

This report reflects the results of the Office of the Inspector General's (OIG) review of NRC's process for approving Computer Sciences Corporation's (CSC) recent invoice (\$542,709 for unbilled costs). The objective of the review was to determine if NRC staff received valid and reliable data to approve the unbilled costs. Because the data contains errors and is incomplete, NRC should delay payment until an incurred cost audit is performed. At an exit meeting on April 6, 2001, agency officials agreed with the report's recommendation.

#### BACKGROUND

In 1994, NRC's Office of the Chief Information Officer began the effort to integrate numerous agency computer systems efforts into one contract under a single program called the Comprehensive Information Systems Support Consolidation (CISSCO). In July 1995, the NRC entered into a Basic Agreement with the General Services Administration's Federal Systems Integration and Management Center (GSA/FEDSIM) to provide assistance in developing the acquisition strategy for CISSCO. FEDSIM was tasked to provide technical, management, and acquisition assistance including identifying system requirements and developing pre-solicitation acquisition support documents.

In August 1996, GSA/FEDSIM executed a task order agreement with Computer Sciences Corporation as the prime contractor for CISSCO. The task order was for one base year with

four option years. The initial projected cost of the full five-year contract was \$46.5 million. Current obligations total \$63.2 million; NRC has expended \$48.4 million as of February 2001.

In August 2000, CSC notified NRC that they had incorrectly billed a number of NRC projects. The agency requested a reconciliation of the costs, which were subcontractor charges that had been incurred up to 16 months earlier but never billed. After a delay of several months, CSC submitted a \$542,709 invoice for previously unbilled costs on 34 Task Assignment Control Documents (TACs)<sup>1</sup>. CSC also provided supporting data that included copies of subcontractor invoices for each of the TACs. In a January 19, 2001, presentation to NRC, CSC officials stated that they had conducted a comprehensive analysis of the unbilled costs and were confident the charges were correct. They advised that the analysis included four levels of internal review.

## RESULTS

NRC staff did not receive valid and reliable data to approve payment of the invoice submitted by CSC. The information is not valid or reliable because of inadequate controls in the billing and invoicing process; the invoice and supporting data contained errors and were incomplete. The Federal Acquisition Regulations (FAR) 52.216-7(a) provides that a contractor may submit an invoice or voucher supported by a statement of the claimed allowable cost. Because the invoice and supporting data are not valid or reliable, NRC lacks assurance that the agency has not been double billed or billed for services not received.

To validate the unbilled costs, the NRC CISSCO Program Manager provided the TAC managers with supporting documentation (the current subcontractor invoice and labor hour charges) and requested their review and approval or disapproval for payment. OIG interviewed seven TAC managers responsible for \$446,620 of the \$542,709 billed by CSC. Errors in the supporting information affected four TACs; other supporting data was incomplete.

The errors concerned subcontractor employees' billings. In one case, the NRC TAC manager responsible for TACs 235 and 267 noted that a subcontractor billed 177.5 hours for the same employee during the same month on each task. In response to the TAC manager's questions, CSC officials informed NRC that the 177.5 hours on TAC 235 were incorrect. The employee had never worked on that TAC. In another case, there were errors on the billings for TACs 221 and 237. On TAC 221, the subcontractor billed 105 hours at \$46.65 per hour. The supporting documentation for TAC 237 showed a charge for 149 hours at \$37.69 per hour for the *same employee for the same month*. CSC officials told NRC that they had transposed the hours for two employees and the employee in question had billed 72 hours at \$46.65 per hour, not 149 hours at \$37.69 per hour.

The supporting documentation was also incomplete. Three TAC managers said that because the information they received was not adequate, they cannot be assured that the work was performed. All seven TAC managers said they had never previously seen an invoice and the

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<sup>1</sup>A TAC is a mini-statement of work constituting technical direction. A TAC includes specific details of the technical requirements and the specification and schedule of deliverables for a specific level of required work.

supporting documentation did not include copies of previous invoices. As a result, they could not determine whether the current costs were previously billed. NRC TAC managers expressed particular concern about the potential for double billing. Further, the NRC CISSCO Project Director stated that *he* cannot independently verify whether the costs have been previously billed.

The invoice and supporting data contain errors and are incomplete because of inadequate controls by CSC and NRC. CSC officials asserted that they had performed a comprehensive analysis and the data had undergone a multilevel internal review. Despite this intensive review, the invoice still contained obvious errors, which indicate serious flaws in CSC's billing controls on this invoice. NRC's CISSCO Project Director performed only a limited review of the supporting documentation before providing it to the TAC managers for approval. He relied primarily on CSC's process to ensure the reliability of the information.

Because the invoice and supporting data are not valid or reliable, NRC lacks assurance that the agency has not been double billed or billed for services not received. An incurred cost audit would provide such assurance. Therefore, OIG will coordinate the audit with GSA and the Defense Contract Audit Agency.

#### RECOMMENDATION

1. The Executive Director for Operations should delay payment until the incurred cost audit is completed.

#### SCOPE/CONTRIBUTORS

OIG reviewed the invoice and supporting documentation provided by CSC and the Project Director. We discussed the invoice with seven TAC managers responsible for \$446,620 of the \$542,709 or 82 percent of the charges billed by CSC. Additionally, OIG discussed the billing with the NRC CISSCO Program Manager and Project Director. OIG conducted the review during February and March 2001 in accordance with generally accepted Government auditing standards. Veronica Bucci, Kathleen Stetson, and Anthony Lipuma conducted the review.

Please provide information on actions taken or planned on the recommendation directed to your office by April 30, 2001. Actions taken or planned are subject to OIG followup. Instructions for responding to OIG report recommendations are attached.

If you have any questions or concerns regarding this report, please contact Anthony Lipuma at 415-5910 or me at 415-5915.

Attachment: As Stated.

cc: John Craig, OEDO

R. McOsker, OCM/RAM  
B. Torres, ACMUI  
B. Garrick, ACNW  
D. Powers, ACRS  
J. Larkins, ACRS/ACNW  
P. Bollwerk III, ASLBP  
K. Cyr, OGC  
J. Cordes, OCAA  
S. Reiter, Acting CIO  
P. Rabideau, Deputy CFO  
J. Dunn Lee, OIP  
D. Rathbun, OCA  
W. Beecher, OPA  
A. Vietti-Cook, SECY  
W. Kane, DEDR/OEDO  
C. Paperiello, DEDMRS/OEDO  
P. Norry, DEDM/OEDO  
M. Springer, ADM  
R. Borchardt, NRR  
G. Caputo, OI  
P. Bird, HR  
I. Little, SBCR  
M. Virgilio, NMSS  
S. Collins, NRR  
A. Thadani, RES  
P. Lohaus, OSP  
F. Congel, OE  
M. Federline, NMSS  
R. Zimmerman, RES  
J. Johnson, NRR  
H. Miller, RI  
L. Reyes, RII  
J. Dyer, RIII  
E. Merschoff, RIV  
OPA-RI  
OPA-RII  
OPA-RIII  
OPA-RIV

## **Instructions for Responding to OIG Report Recommendations**

### **Instructions for Action Offices**

Action offices should provide a written response on each recommendation within 30 days of the date of the transmittal memorandum or letter accompanying the report. The concurrence or clearance of appropriate offices should be shown on the response. After the initial response, responses to subsequent OIG correspondence should be sent on a schedule agreed to with OIG.

Please ensure the response includes:

1. The report number and title, followed by each recommendation. List the recommendations by number, repeating its text verbatim.
2. A management decision for each recommendation indicating agreement or disagreement with the recommended action.
  - a. For agreement, include corrective actions taken or planned, and actual or target dates for completion.
  - b. For disagreement, include reasons for disagreement, and any alternative proposals for corrective action.
  - c. If questioned or unsupported costs are identified, state the amount that is determined to be disallowed and the plan to collect the disallowed funds.
  - d. If funds put to better use are identified, then state the amount that can be put to better use (if these amounts differ from OIG's, state the reasons).

### **OIG Evaluation of Responses**

If OIG concurs with a response to a recommendation, it will (1) note that a management decision has been made, (2) identify the recommendation as resolved, and (3) track the action office's implementation measures until final action is accomplished and the recommendation is closed.

If OIG does not concur with the action office's proposed corrective action, or if the action office fails to respond to a recommendation or rejects it, OIG will identify the recommendation as unresolved (no management decision). OIG will attempt to resolve the disagreement at the action office level. However, if OIG determines that an impasse has been reached, it will refer the matter for adjudication to the Chairman.

### **Semiannual Report to Congress**

In accordance with the Inspector General Act of 1978, as amended, OIG is required to report to Congress semiannually on April 1 and October 1 of each year, a summary of each OIG report issued for which no management decision was made during the previous 6-month period. Heads of agencies are required to report to Congress on significant recommendations from previous OIG reports where final action has not been taken for more than one year from the date of management decision, together with an explanation of delays.