

December 17, 2003

MEMORANDUM TO: Stephen D. Dingbaum  
Assistant Inspector General for Audits

FROM: Patricia G. Norry /RA/  
Deputy Executive Director for Management Services  
Office of the Executive Director for Operations

SUBJECT: REVIEW OF NRC'S PERSONNEL SECURITY PROGRAM  
CONTRACTOR POLICIES AND PRACTICES (OIG-04-A-02)

This responds to your November 17, 2003, memorandum transmitting the subject audit report. We are pleased that you incorporated many of our comments on an earlier draft of the audit report and, despite the weaknesses you identified, recognized the effort made by Division of Facilities and Security (DFS) staff and managers over the past several years to improve controls over contractor access to NRC facilities and information. With respect to your specific recommendations, I submit the following:

Recommendation 1: Update and clarify Management Directive 12.3 (MD 12.3) to reflect agency requirements concerning contractors working prior to approval, contractor escort requirements, level of access required to have a local-area network (LAN) account, and contractors working offsite with sensitive information.

Response:

Agree. MD and Handbook 12.3, "NRC Personnel Security Program," is being updated as recommended. The revised Directive will be issued by January 30, 2004.

Recommendation 2: Specify in MD 12.3 examples of violations that could warrant a security infraction and administer the security infraction program consistently in accordance with these rules.

Response: Agree. Examples of violations that could warrant a security infraction are being incorporated into the revised MD 12.3 and Handbook and MD and Handbook 12.1, "NRC Facility Security Program." The revised directives will be issued by January 30, 2004.

Recommendation 3: Consistently provide materials on personnel security requirements in the project officer training course.

Response:

Agree. Personnel security materials have been updated and are now included as part of the Acquisition Oversight course manual. These materials were provided to all participants at the December 11, 2003, offering of the Acquisition Overview course. A personnel security specialist also participated in this course. The Office of Administration will continue this practice for all future Acquisition Oversight courses. We consider action on this recommendation to be complete.

Recommendation 4: Develop and implement a plan to communicate on a routine basis directly with all NRC project officers concerning contractor security requirements. The plan should include such elements as mandatory annual refresher training on security requirements for all project officers and e-mail reminders to all project officers concerning the requirements.

Response:

Agree in part. The Division of Contracts (DC) has issued the attached instruction requiring review of security requirements as part of contract administration plans developed with Project Officers following contract award. The Security Branch, DFS, will communicate directly by email with NRC project officers concerning new security requirements on an as needed basis to reinforce security policies. This will be done using an up-to-date active project officers list provided by DC. In addition, the Security Branch will participate in the triennial refresher training (as opposed to the recommended annual training) for project officers provided by DC.

Recommendation 5: Develop and implement a formal process for granting and documenting exceptions to security requirements and identify who is authorized to grant such exceptions.

Response:

Agree. MD 12.3 and Handbook is being revised to reflect that the Director, DFS, has the authority to grant and document exceptions to certain security requirements for contractor personnel. The revised directive will be issued by January 30, 2004.

Recommendation 6: Broaden the use of the credit report information for building access contractors so that information pertaining to financial issues is considered during the adjudication process.

Response:

Agree. DFS will issue written instructions to all adjudicators detailing the criteria to be applied to the review of credit reports for approval of unescorted building access. These criteria will include a review of credit report history to detect fraud and significant amounts of indebtedness and whether there are discrepancies in social security numbers, names, date of birth, and place of residence. Detailed instructions will be issued by January 30, 2004.

Recommendation 7: Develop performance measures that assess the timeliness of DFS's adjudication of all cases back from OPM and issue cases in particular.

Response:

Agree. Performance measures will be developed and incorporated under the ADM Operating Plan by May 2004.

Recommendation 8: Screen contractor cases returned from the Office of Personnel Management upon receipt for significance of issues raised and adjudicate those with significant issues on a priority basis.

Response:

Agree. This process is currently in effect. See attached instruction to adjudication and processing staff from the Personnel Security Team Leader. We consider action on this recommendation to be complete.

Recommendation 9: Deny access to contractors with significant issues unless and until the case is resolved in the contractor's favor.

Response:

Agree. The Security Branch currently denies interim access to contractors until a favorable adjudication is made of the issues identified in security forms, the credit report, and the NCIC report. In the event the subsequent investigation identifies significant issues, the necessary steps will be taken to promptly deny access. This process is currently in effect. The implementation of recommendation 8 will contribute to the resolution of this recommendation. We consider action on this recommendation to be complete.

Recommendation 10: Incorporate clauses into NRC contracts specifying that temporary information technology (IT) access approval for contract employees may be revoked immediately if issues surface during the background investigation that call into question the contractor's suitability for employment at the agency.

Response:

Agree. Contract clauses currently in use by DC provide NRC with the authority to revoke temporary IT access approval immediately if issues surface. These security clauses state, "The Government shall have and exercise full and complete control over granting, denying, withholding, or terminating building access approvals for individuals performing work under this contract," and "such contractor personnel shall be subject to the NRC contractor personnel security requirements of NRC Management Directive (MD) 12.3, Part I and will require a favorably adjudicated Limited Background Investigation (LBI)." DC will revise this language to make it clear that interim access authorization approval will be revoked and the individual may subsequently be removed

from the contract in the event a contractor employee's investigation cannot be favorably adjudicated. The revised language will also indicate that the individual will not be authorized to work under this or other NRC contracts without the approval of NRC Security.

DC will issue a procurement instruction with the revised clause by January 30, 2004.

If you have any questions on the above comments, please contact Thomas O. Martin on 301-415-8080.

Attachments: As stated

cc: Chairman Diaz  
Commissioner McGaffigan  
Commissioner Merrifield

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**DC Instruction:** 03-02  
**Issued:** November 4, 2003  
**Cross Reference:**  
**ADAMS Policy Package Title:** CAP Instruction  
**ADAMS Policy Package Accession**  
**Number:**  
**DC Instruction Accession**  
**Number:** ML032830568

MEMORANDUM TO: Division of Contracts and Regional Procurement Staff

FROM: Mary Lynn Scott, Team Leader  
Policy and Procurement Team  
Division of Contracts  
Office of Administration

SUBJECT: **CONTRACT ADMINISTRATION PLAN**

#### Background

In response to Commission comments on the FY 2004-2005 Budget Proposal, which recommended improved accountability in our technical contract preparation, a contract administration plan (CAP) has been developed (Attachment 1).

#### Applicability

The CAP is to be established for certain contracts that require special management attention or indicate high risk. It will provide clarification of responsibilities and accountability for contract administration tasks. The criteria to be applied to determine if the use of a CAP is appropriate may be found in Attachment 2. The Contract Specialist shall use the CAP for pending and existing contracts if the criteria apply. The CAP is stored under s:\DCPM Instructions\CAP form.

#### Procedures

The CAP should be completed jointly by the Project Officer and the Contract Specialist. It should be reviewed with the contractor at the postaward kickoff meeting.

Attachment: Contract Administration Plan  
Criteria to Determine Use of Contract Administration Plan (CAP)

DC Instruction 03-02  
Contract Administration Plan

Attachment 1

<b>I. Identifying Information</b>	
A. Contract/RFP Number:	
B. Project Title:	
C. Contract Type:	
D. Contract Funding <div style="display: flex; justify-content: space-around;"> <span>_____ Fully funded</span> <span>_____ Incrementally funded</span> </div> Contract Ceiling Base Period: Initial Obligation: Potential Contract Value (including all options):	
E. Certified Project Officer:	
F. Contractor:  <div style="display: flex; justify-content: space-between;"> Contractor Contact: Phone: </div>	
G. Period of Performance: Initial Year:	From: Through:
Option Years:	
H. Date of Post Award Contractor Orientation Briefing:	
<b>II. Administrative Issues to Discuss with Contractor and Project Officer</b>	
A. Emergency Office Closing, Early Dismissal, and Delayed Arrival Information B. Privacy Act applicability C. Personal use of NRC IT Equipment D. Occupant emergency plan E. Contract modifications for within scope changes F. Limits of technical direction G. NRC Conflict of Interest Policy H. Evaluations of contractor performance I. Avoidance of Personal Services J. Other:	

### **III. Security Requirements**

- a. Review Security Clauses: 2052.204-70 (Security), 2052.204-71 (Site Access Badge Requirements), Section H, (Security Requirements for IT Services, Safety for Onsite Contractor Personnel)
- b. Review Management Directive 11.1 Sections on Security (Section 3.1.2, Project Officer responsibilities during performance, Section 5.7, Security Requirements, Section 11.10.4.2, Security Requirements for Terminated Employees, Section 11.15, Terminating Contractor Access Authorizations During Closeout).
- c. Security clearances must be in place before contract performance may begin.
- d. Temporary site access can be revoked if issues arise during investigation.

### **IV. Project Control Information Requirements**

- A. Measurable performance standards (e.g. terms of quality, timeliness, quantity)

- B. Quality Assurance Surveillance Plan



C. Procedures for reductions of fee or for reductions to the price

**V. Terms and Conditions**

- A. Limitation of Funds
- B. Key personnel
- C. Use of overtime
- D. Other

**VI. Special Administrative Problems / Approvals: (e.g. travel, property)**

**VII. Government Furnished Property**

**VIII. Payment Provisions (Prompt payment, points of review for vouchers, e.g. costs reported vs performance, accuracy of indirect rates, purchase of property, travel, schedule slippages)**

**IX. Other significant items and any further action to be taken**

**Date:**

**Attendees:**

**Name**

**Title**

**NRC Office or Organization**

## **Contract Administration Plan**

### Criteria to Determine Use of Contract Administration Plan (CAP)

#### **Mandatory Thresholds:**

1. Procurement approved by the Chairman (over \$3 million)
2. Service contract involving more than five onsite contractor personnel
3. Labor hour contracts

#### **Unusual Circumstances That May Warrant a CAP:**

1. Complexity of requirement
2. Procurement type unusual to NRC
3. Deliverable unusual to NRC
4. High interest in the contract deliverable by the Commission
5. Contract involves agencywide initiative - e.g. Seat Management
6. Likelihood for personal services relationship

**From:** Patricia Smith  
**To:** Julia Seater; Linda Jackson; Neuftearia Angel Kenneybrew ; Tamika Wood  
**Date:** 12/5/03 1:08PM  
**Subject:** 'D' Issue OPM Investigation Cases

Effective immediately, when you receive an OPM investigative report rated as a 'D' issue code, you are to immediately pull the personnel security file, update the IPSS database, and give the file directly to the appropriate adjudicator (**do not place the file on the adjudicator's shelf**) for review of the investigation.

Adjudicators are to complete the adjudication of all 'D' issue code investigations, to include the case summary write up and recommendation of action to be taken on a priority basis. 'D' issue code cases are to take priority over all other investigations received, unless instructed otherwise.

Tricia

**CC:** Andree DuBose; Cheryl Stone; Christine Secor; Michael Bodin; Shawn Healy; Thomas Martin

