

April 25, 2008

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

FROM: Martin J. Virgilio */RA Cynthia A. Carpenter Acting For/*
Deputy Executive Director for Materials, Waste,
Research, State, Tribal, and Compliance Programs
Office of the Executive Director for Operations

SUBJECT: AUDIT OF NRC'S CONTRACT FOR ALTERNATIVE DISPUTE
RESOLUTION SERVICES (OIG-08-A-08)

I am responding to your March 26, 2008, memorandum transmitting the Office of the Inspector General's report OIG-08-A-08, "Audit of the NRC's Contract for Alternative Dispute Resolution Services." I acknowledge your conclusion that the U.S. Nuclear Regulatory Commission (NRC) needs to strengthen its ability to provide the needed contract oversight to prevent procurement fraud and abuse over the alternative dispute resolution (ADR) contract. In response, the agency is modifying the current contract, focusing closely on the billing requirements and statement of work. In addition, the NRC is taking appropriate steps to ensure that there is no appearance of a conflict of interest due to the project officer's association with the ADR contractor. Below are your recommendations and our corresponding responses.

Recommendation 1:

Either modify or renegotiate the current contract to:

- A. Include explicit billing instructions that establish standards such as monthly billing requirements.
- B. Strengthen the statement of work to include specific deliverables and milestone dates.

CONTACTS: Cynthia A. Carpenter, OE
(301) 415-2741

Jeffrey L. McDermott, ADM/DC
(301) 415-6187

Response:

Agree. On April 21, 2008, the NRC Contracting Officer signed Modification Number 0007 (Enclosure 1) to Contract NRC-37-06-351, "Neutral Services Supporting Enforcement ADR Program," and forwarded it to Cornell University for signature.

Part A is addressed by the insertion of a statement into the contract's "Billing Instructions" that requires the contractor to submit a voucher or invoice on a monthly basis. Refer to item 2 on page 2 of 2 of Modification Number 0007 (Enclosure 1) to Contract NRC-37-06-351.

Part B is addressed by the inclusion of the following tasks into step C.3, "Scope of Work," of Modification Number 0007 (Enclosure 1) to Contract NRC-37-06-351.

1. Cornell shall contact the NRC Project Officer to confirm that an offer to engage in the ADR program can be made (Refer to Task 1(a) (1)).
2. Forward copies of the signed agreement to mediate to the Project Officer within 10 days and obtain a delivery order for services performed (Refer to Task 1(b) (1)).
3. Before the mediation session, obtain a delivery order from the NRC Project Officer for approval of fees and travel expenses (Refer to Task 4(c)).

Expected Completion: May 31, 2008.

Recommendation 2

Require the project officer to be certified/recertified under the NRC's acquisition certification program.

Response:

Agree. Individuals assigned to oversee NRC contracts are required to be certified in accordance with NRC Management Directive 11.1, "NRC Acquisition of Supplies and Services." The individual assigned as the primary project officer for oversight of Contract NRC-37-06-351 had inadvertently allowed his qualifications to lapse on November 4, 2007, and had not completed the recertification training. The person assigned as the alternate project officer was qualified and had completed the required project officer certification training. Contract Modification Number 0006, dated February 25, 2008 (Enclosure 2), reassigned the alternate project officer as the lead for the ADR contract.

Completed: February 25, 2008.

Recommendation 3

Preclude the Project Officer for the ADR contract from participating as faculty in any future Cornell workshops.

Response:

Agree. The report states that the NRC Project Officer for the ADR contract was listed as a Cornell University faculty member for an ADR workshop sponsored by the University. While the NRC agreed to let the project officer teach a portion of the workshop, the NRC did not give

permission or intend to have Cornell list the Project Officer as a faculty member. The NRC asked Cornell University to correct the University Web page(s) to stop listing the NRC Project Officer as a faculty member.

The NRC frequently allows members of its staff to participate in industry workshops. Participation in seminars, training sessions, and other industry meetings provide an opportunity to present information about the NRC's programs. The Office of Enforcement intends to allow the ADR Project Officer to participate, as a representative of the NRC, in future Cornell workshops if requested by the University.

On April 17, 2008, Cornell University notified the NRC that they have corrected their Web page. It no longer identifies the NRC Project Officer or mentions that a member of the NRC will speak at the workshop on "Mediation in the Federal Sector."

Completed: April 17, 2008.

Enclosures:

1. NRC-37-06-351, Modification Number 0007
2. NRC-37-06-351, Modification Number 0006

permission or intend to have Cornell list the Project Officer as a faculty member. The NRC asked Cornell University to correct the University Web page(s) to stop listing the NRC Project Officer as a faculty member.

The NRC frequently allows members of its staff to participate in industry workshops. Participation in seminars, training sessions, and other industry meetings provide an opportunity to present information about the NRC's programs. The Office of Enforcement intends to allow the ADR Project Officer to participate, as a representative of the NRC, in future Cornell workshops if requested by the University.

On April 17, 2008, Cornell University notified the NRC that they have corrected their Web page. It no longer identifies the NRC Project Officer or mentions that a member of the NRC will speak at the workshop on "Mediation in the Federal Sector."

Completed: April 17, 2008.

Enclosures:

1. NRC-37-06-351, Modification Number 0007
2. NRC-37-06-351, Modification Number 0006

DISTRIBUTION: G20080217/EDATS: OEDO-2008-0262

EDO r/f L. Reyes M. Virgillo B. Mallett D. Ash V. Ordaz
K. Cyr S. Burns T. Hagan J. Arildsen OIG File OE r/f

ADAMS Accession No.: ML080910328

OFFICE	OE	Tech Editor	DD:OE	D:ADM	D:OE	DEDMRT
NAME	RArrighi	QTE	SMagruder	THagan	CCarpenter	CACarpenter for MVirgilio
DATE	04/17/08	04/17/08	04/22/08	04/22/08	04/22/08	04/25/08

OFFICIAL RECORD COPY