

August 27, 2013

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

FROM: Cynthia A. Carpenter */RA/*
Director, Office of Administration

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF U.S. NUCLEAR
REGULATORY COMMISSION'S CONTRACT ADMINISTRATION
OF THE ENTERPRISE PROJECT MANAGEMENT CONTRACT
(OIG-12-A-18)

In response to the Office of the Inspector General's memorandum dated April 22, 2013, this memorandum provides a complete response to actions undertaken for Recommendations 1, 3, and 4 from the subject audit report.

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.

Response:

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

CONTACT: Joseph Schmidt, ADM/DC
(301) 287-0938

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.

Response:

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>.

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>.

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

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.

Response:

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

Enclosures:

1. Invoice Review and Approval Process
2. Acquisition Guidebook for Contracting Officer's Representatives
3. General Contract Invoice Review and Approval Flow
4. ADM DC Acquisition Instruction #2011-07
COR Delegation and Appointment Memorandum
5. COR Invoice Review Checklist
(Cost-Reimbursement Type Contracts/Orders)
6. COR Invoice Review Checklist
(Fixed-Price Type Contracts/Orders)
7. COR Invoice Review Checklist
(Time-and-Materials/Labor-Hours Type Contracts/Orders)
8. ADM DC Acquisition Instruction #2013-03
Contractor Invoice Reviews
9. EPM Contract Travel Request Review & Approval Process
10. EPM Contract Travel Flowchart
11. EPM Contract Travel Log

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8. ADM DC Acquisition Instruction #2013-03
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