

May 29, 2014

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

FROM: Cynthia A. Carpenter, Director */RA/*  
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 August 27, 2013, this memorandum provides a 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:

MD 11.1 was approved and published and may be accessed at:

- Agencywide Documents Access and Management System Accession No: [ML13322B277](#);
- U.S. Nuclear Regulatory Commission (NRC) External Web site at <http://www.nrc.gov/reading-rm/doc-collections/management-directives/volumes/vol-11.html>; and
- NRC Internal Web site for NRC MDs at <http://www.internal.nrc.gov/ADM/DAS/cag/mandirs/mdcat.html#c11>

CONTACT: Joseph Schmidt, ADM/AMD  
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MD 11.1 provides current acquisition policies, practices and terminology. This includes general Contract Officer Representative (COR) invoice approval procedures at Section XV.F – Contractor Invoices, with a reference to Acquisition Management Division's (AMD's) Invoice Review Guidance in NRC Enterprise Acquisition Toolset (NEAT).

Enclosure 1 - Illustrating the COR invoice review and approval process. The flowchart is available in NEAT at <http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1262>

The invoice review and approval process flow was not included in MD 11.1 since all exhibits except a list of acronyms were moved to NEAT for timely updating. The invoice process flow has been revised however to include COR review of source documentation, as applicable, and to encourage greater interoffice communication among CORs for umbrella type contracts as necessary. Step 3B of the process flow is as follows:

“Step 3B: COR Invoice Review – The COR verifies that deliverables or services billed were inspected and accepted. The COR conducts a thorough review of the invoice submission to ensure completeness and accuracy of the information, and may contact the contractor for additional information or clarification. The COR should request source documentation, as appropriate, depending on contract type, contract mechanism, and complexity of contractual arrangement. The COR then approves or disapproves billed invoice costs within 7 calendar days and forwards the information to the CO for consideration, including recommended fixed-fee holdbacks in excess of 85 percent. CORs are encouraged to work collaboratively through “multi-office coordination,” especially when using enterprise-wide contracts or other types of (umbrella-like) indefinitely delivery contracts.”

The Office of Administration (ADM) requests closure of this recommendation.

Point of Contact (POC): Joseph Schmidt

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:

AMD revised guidance for invoice review and approval that can be found in NEAT at the following locations:

Enclosure 2 - Invoice Review and Approval Process Guidance:

<http://neat.nrc.gov/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1523>

The Acquisition Guidebook for CORs was revised to: (1) clarify the basic role of the Contracting Officer (CO) and COR during the invoice review and approval process; (2) emphasize the routine use of source documentation, as appropriate; and (3) encourage greater interoffice communication for umbrella type contracts.

Enclosure 3 – NRCs “Acquisition Guidebook for Contracting Officer’s Representatives,” pp. 117–150, Section: “Invoice Review and Approval Process”:

<http://neat.nrc.gov/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1267>

The Acquisition Guidebook for CORs was revised to: (1) clarify the basic role of the CO and COR during the invoice review and approval process; (2) emphasize the routine use of source documentation, as appropriate; and (3) encourage greater interoffice communication for umbrella type contracts. (See pages 118, 123, 129-130, 134-135, 140-141, 146.)

ADM requests closure of this recommendation.

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 number NRC-DR-33-10-303 through its closeout.

Response:

AMD used the services of an independent contractor to review contractor invoices to verify, rather than certify, the accuracy and completeness of invoices submitted under the Enterprise Project Management (EPM) contract. The contractor’s methodology incorporated the use of an earlier version of AMD’s current invoice review checklist provided by AMD to serve as a tool to consistently document findings. The contractor met with the EPM contracting officer and procurement policy team to seek clarification about certain types of costs incurred by the contractor and discussed preliminary findings. The contractor completed its independent review by April 23, 2013. During the invoice review process, the contractor made suggestions to improve the quality of the invoice checklist to enhance its usefulness and relevancy. Consequently, the checklist was subsequently divided into three different checklists for fixed-price, cost-reimbursement, and time-and-materials/labor-hour contracts.

Enclosure 4 - The “Invoice Checklist for Cost-Reimbursement (CR) Type Contracts/Orders” (revised August 8, 2013) is available in NEAT at:

<http://neat/Libraries/DocumentDownloadHandler.ashx?LibraryDocumentID=1489>

S. Dingbaum

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Enclosure 5 – Contractor’s draft reports for Task Orders 1 – 9.

Enclosure 6 – Contractor’s spreadsheets for Task Orders 1 – 9.

ADM requests closure of this recommendation.

POC: Sharlene McCubbin

Enclosures:

1. Flowchart for COR Invoice Review Process
2. Invoice Review and Approval Guidance
3. Acquisition Guidebook for CORs
4. Invoice Checklist for Cost-Reimbursement
5. Contractor’s Draft Reports
6. Contractor’s Spreadsheets

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ADM requests closure of this recommendation.

POC: Sharlene McCubbin

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Contractor's Draft Reports

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Enclosure 5

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Contractor's Spreadsheets

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Enclosure 6