

MAY 7 1981

MEMORANDUM FOR: William J. Dircks  
Executive Director for Operations

FROM: James J. Cummings, Director  
Office of Inspector and Auditor

SUBJECT: OBSERVATIONS RESULTING FROM SURVEY OF TIDC

*Original copy by James J. Cummings*

As you know, we recently issued an audit report on NRC's Document Control System (DCS). This audit initially started as a broad survey of the Division of Technical Information and Document Control (TIDC). As a result of the survey we had some observations regarding the activities in TIDC that were not contained in the DCS audit report. These observations (see attached) are being passed on for your information and action you deem appropriate.

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## OIA OBSERVATIONS RESULTING FROM SURVEY OF TIDC

Following is a summary of our observations resulting from our survey of the Division of Technical Information and Document Control (TIDC).

### OIA Observation - Need to Improve Contract Administration

During our survey we found the following examples, in addition to the DCS audit, showing that the administration of contracts in TIDC needs improvement. Although these examples individually do not present a serious deficiency, we believe they collectively illustrate a need for improvement.

#### Example One - Interpreting Contract Terms

A purchase order (PO), was issued for microfiche services. The PO established a rate of \$15.00 for "Pickup of Documents and Delivery of Fiche Daily." Therefore, the \$15.00 charge included a pickup and delivery. Our review disclosed that the contractor's invoices charged NRC \$15.00 for each pickup and \$15.00 for each delivery. The Contracting Officers Technical Representative (COTR) approved these invoices for payment because he believed that a charge of \$15.00 for a pickup and \$15.00 for a delivery was proper. The result was a \$750.00 overcharge to NRC.

The COTR stated that he later became aware that the \$15.00 charge included both a pickup and delivery. He, therefore, instructed the contractor to reduce subsequent billings for pickup and delivery services. This action reduced NRC's overpayment by \$195; therefore, NRC overpaid the contractor a net amount of \$555. At the time of our audit, the Division of Contracts (DC) was attempting to correct the overcharges.

#### Example Two - Review of Invoices

Under the same PO for microfiche services, the contractor was entitled to charge NRC \$.154 for each microfiche copy. The contractor submitted an invoice to NRC for one job order consisting of the production of 7,032 microfiche copies. The contractor was entitled to charge NRC \$1,082.92 for these services. However, the contractor's invoice showed that 7,032 microfiche copies were provided at a cost of \$.154 per copy and extended the total cost to be \$108.29. While this was an obvious extension error, the COTR nevertheless approved this invoice for payment. The contractor subsequently submitted a revised invoice for the correct amount (\$1,082.92).

#### Example Three - Contract Monitorship

NRC awarded a contract on November 8, 1979, in which the contractor was to maintain NRC's publications inventory. The contractor's performance was not evaluated until February 1980 at which time TIDC determined that the contractor's inventory reports were unreliable.

As a result, TIDC officials believed it was necessary to verify each inventory report. The verification process included taking repeated physical inventories and then reconciling the results with the corresponding contractor's report. To accomplish this task, TIDC authorized its employees to work overtime. TIDC employees performed this overtime on a weekly basis to ensure the accuracy of the inventory reports. At the time of our review, this overtime cost to NRC was approximately \$2,700. We believe that if TIDC had monitored the contractor's performance during the initial months of the contract, corrective measures could have been initiated earlier, thereby eliminating the need for overtime to continuously monitor the contractor's performance.

#### Examples Four and Five - Contractor Performance Outside Scope of Work

During our review, we noted two situations where inadequate contract administration by TIDC permitted contractors to perform work outside the authorized scope of work. In one situation, NRC directed a contractor to provide services which exceeded, by about \$300, the limit set by a PO. The PO was for microfiche services and established a dollar limit of \$19,488. The contractor subsequently submitted invoices to NRC which totalled \$19,488, the maximum contract price. The invoices were certified for payment by the COTR. When the contracting officer, DC, reviewed these invoices, he did not believe that the deliverables could have exactly equalled the contract's estimated requirements (thereby enabling the contractor's invoices to equal the exact amount of the awarded contract). After discussions with the contractor, the COTR and other TIDC officials, the contracting officer determined that the contractor had, in fact, billed NRC only for the contract's estimated requirements rather than actual performance. The contracting officer advised OIA that NRC is obligated to pay for the additional expenses incurred since NRC permitted the contractor to exceed the estimated requirements.

The second situation involves the contractor responsible for NRC's publications inventory. A TIDC official told us that the contractor was required to provide computerized inventory reports for NRC's Docket 50 (reactors) materials as well as for publications. According to the TIDC official, the contractor had been deficient in maintaining accurate inventory reports on the Docket 50 materials.

Our review of the contract's work statement disclosed that the contractor was not required to produce computerized reports of the Docket 50 materials. The statement of work only addressed the contractor's responsibilities for NRC's publications inventory. We discussed this variance with the responsible contracting officer in the DC. He agreed that there was no specific work statement which required the contractor to maintain inventory records for Docket 50 materials although he said that there may be an understanding between TIDC and the contractor to maintain the computerized reports of the Docket 50 materials. OIA believes that if TIDC and the contractor have reached a mutual understanding, this agreement should have been spelled out in the contract in order to avoid contractual problems.

### Example Six - Discounts

Our review of a contract disclosed that NRC was not taking full advantage of discounts offered for prompt payment. The contract allows NRC the following discount terms: 2 percent if payment is made within 10 days of the invoice date; 1.5 percent, 20 days; and 1 percent, 30 days. We found that of the 21 invoices submitted by the contractor through May 30, 1980, NRC took only 1 discount at 2 percent, 11 at 1.5 percent, and 4 at 1 percent. No discounts were taken on the 5 remaining invoices. All 21 of the invoices submitted by the contractor required adjustments because of incorrect charges. In most cases, adjustments were made directly on the invoices prior to payment. The nature and number of adjustments contributed to the delay by TIDC and the DC in processing the invoices for payment.

According to the Federal Procurement Regulations (41 CFR-16, 901-33A), a discount period does not begin until a correct invoice is received. This statement is included on Standard Form 33A which was attached to the contract and was a term of the contract. Even though NRC has taken \$1,100 in discounts under this contract, we believe that an additional \$1,100 should have been taken. If NRC had requested the contractor to submit corrected invoices in all cases, the certification of such invoices could have been accomplished quickly (within 10 days) and NRC would have been able to take a full 2 percent discount on each invoice.

### OIA Observation - Need to Update Publication Distribution Lists

The Joint Committee on Printing (JCP) has established certain regulations regarding the dissemination of publications. The JCP requires that all Federal agencies revise their mailing lists:

...at least once each year in order to eliminate waste in Government funds caused by publications being improperly addressed or mailed to persons no longer desiring to receive them. This method of revision shall require that persons receiving publications indicate that they wish to continue receiving the publications. Failure to reply to a mailing list revision request shall require the elimination of the addressee from the mailing list unless it is necessary in the conduct of official business to continue mailing publications to the addressee.

We found that TIDC does have procedures to review and revise its mailing lists on a yearly basis. However, these procedures are not consonant with the requirements established by the JCP. A TIDC official advised us, that in 1979, TIDC surveyed everyone on its mailing lists in order to determine if these persons had a continuing need to receive certain publications. Although TIDC only received about a 50 percent response, they took no action to eliminate the non-respondents.

In the future, TIDC plans a yearly survey contacting only 1/3 of the persons on its mailing lists. We feel that TIDC is not in compliance with the JCP regulations because the JCP does not stipulate that a survey consisting of 1/3 of the addressees is sufficient to preclude the waste of Government funds.

### OIA Observation - Need to Upgrade Control Over Classified Documents

NRC Manual Appendix 2101 sets forth basic guidelines for the protection and accountability of classified matter. Our review disclosed that TIDC needs to upgrade its controls over classified documents in order to properly account for the classified documents in its possession.

TIDC maintains classified documents in a vault and in a safe outside the vault. As a part of our review, we performed a survey of the documents in the vault and found that they consisted of nonclassified documents belonging to the Division of Organization and Personnel, boxes of classified and unclassified documents on the floor, tables full of paper, and large quantities of classified documents. The safe outside the vault contained classified documents belonging (according to the envelopes) to NRC personnel. Most of the documents in the safe were given to TIDC as a result of a general clean-up campaign conducted five or six years ago. Some documents in the safe belonged to individuals in NRC who had no safe in their offices. Others were given to TIDC when safes in NRR were cleaned out, or when individuals left NRC. However, neither TIDC nor anyone else had signed for the documents, and the documents were never screened to determine if they could be destroyed or downgraded. The bulk of the documents within the vault were acquired by the Atomic Energy Commission and were later transferred to NRC.

### OIA Observation - Need for Better Overtime Management

In our survey of TIDC activities, we noted that the division used overtime extensively in support of its functions. We found that TIDC made improper use of regularly-scheduled overtime and that overtime hours were incorrectly reported on time and attendance cards.

#### Use of Regularly-Scheduled Overtime

NRC Manual Appendix 4136 requires an official work schedule change, permitting an extended work week, for all overtime worked on a regular basis. Although we found that several TIDC employees worked overtime on a regular basis, TIDC did not process work schedule changes for these individuals.

In determining the frequency of overtime worked by certain TIDC employees, we noted that one employee worked overtime in 21 of 26 pay periods averaging 29 hours per pay period; and another employee worked overtime in 22 of 26 pay periods averaging 14 hours per pay period.

NRC Manual Chapter 4136 requires that every effort be made to minimize overtime. We believe that the use of regularly-scheduled overtime without a demonstrated need for such overtime (i.e. an official work schedule change) hinders agency efforts to keep overtime to a minimum.

### Reporting of Overtime Hours

Due to the extensive number of overtime hours worked by TIDC employees, we attempted to verify the accuracy of the reported hours. We found that some employees appeared to claim more overtime hours on certain days than the logs indicated they had actually worked. Discussions with two individuals revealed that they did not always work the exact number of hours shown for each day on the time and attendance card. However, they stated that if the number of overtime hours recorded on the time and attendance card for a particular day were more than the actual hours worked, the time was made up on a subsequent day. One of the individuals said that the practice of making up hours was done with the full knowledge of his superiors.

Time and attendance data is supposed to accurately reflect all hours of work and leave taken (NRCM 4137). The regulations make no exception in this regard. The practice of making up hours not worked and not amending time and attendance cards is contrary to the need for accurate reporting and sound internal controls.

### OIA Observation - Need to Properly Record Night Differential Pay

The provisions of Subchapter SI-4 of the Federal Personnel Manual entitles an employee to pay for nightwork (between 6 p.m. and 6 a.m.) at his basic pay rate plus premium pay of 10 percent of the basic rate. Included as night differential are periods of paid leave during night hours if the total paid leave used in a pay period is less than eight hours. For example, if a person's regular work schedule was from 4:00 p.m. to midnight, he would be entitled to six hours of night differential (6:00 p.m. to midnight) each day. If this person took eight or more hours of paid leave during a pay period, he would only be entitled to night differential for those hours actually worked after 6:00 p.m. (i.e. all leave would be paid at regular rates). If, on the other hand, this person took less than eight hours of paid leave during a pay period, he would be paid night differential for all hours to which he would normally be entitled to night differential including those when he was on leave.

During our review of the TIDC, we noted that three individuals received night differential pay for paid leave even though the total leave taken in certain pay periods was eight hours or more. Since our review was of a limited nature, we do not know if this is a widespread problem. It appears that this situation was caused by a lack of understanding by the timekeeper and the supervisor as to what constitutes hours of night differential.

### Recommendations:

Since extensive analyses were not made of the reported observations, we are not making any recommendations. We are, however, providing these observations to you for evaluation and appropriate action.