



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Audit Report

Evaluation of Costs Charged to the
Washington Savannah River
Company Contract No. DE-AC09-
96SR18500 during Fiscal Years
2010 and 2011

OAS-L-14-03

March 2014



Department of Energy
Washington, DC 20585

March 12, 2014

MEMORANDUM FOR THE MANAGER, SAVANNAH RIVER OPERATIONS OFFICE

Daniel M. Weeber

FROM: Daniel M. Weeber
Assistant Inspector General
for Audits and Administration
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on "Evaluation of Costs Charged to the Washington Savannah River Company Contract No. DE-AC09-96SR18500 during Fiscal Years 2010 and 2011"

BACKGROUND

In August 1996, the Department of Energy's (Department) Savannah River Operations Office awarded the Savannah River Site (SRS) management and operating (M&O) contract to Washington Savannah River Company (WSRC). Subsequent to completion of work in June 2009, Savannah River Operations Office authorized WSRC to obtain accounting, auditing, legal and other administrative services from Savannah River Remediation to support the formal closeout of its contract. In December 2009, the Letter of Credit expired and Savannah River Operations Office required WSRC to provide invoices for reimbursement of the closeout costs. Savannah River Operations Office requested the Office of Inspector General review the invoices and supporting documentation for costs reimbursed to WSRC during Fiscal Years (FYs) 2010 and 2011, including the closeout costs incurred by Savannah River Remediation.

The objective of this audit was to evaluate costs reimbursed to WSRC during FYs 2010 and 2011.

RESULTS OF AUDIT

During the course of our evaluation, nothing came to our attention to indicate that WSRC was reimbursed for costs that were not consistent with the terms of the contract. During FYs 2010 and 2011, WSRC was reimbursed a total of \$601,420 for costs incurred. Detailed invoices, along with supporting documentation, were submitted to the Savannah River Operations Office Contracting Officer for review and approval prior to payment.

WSRC was reimbursed \$408,425 for direct costs incurred during the M&O performance contract period. According to records we reviewed, WSRC invoiced \$407,425 for equipment and services obtained through an Inter-Entity Work Order exercised in August 2005, but it was not reimbursed for these costs until March 2011. We determined that the delay in payment was due to an oversight that occurred during the Department's transition to a new financial accounting

system. The remaining \$1,000 was a reimbursement for participation in a compensation survey that occurred while WSRC was the M&O contractor at SRS. We verified that participation in the survey was in compliance with the terms of the contract. Our review of supporting documentation for these direct costs did not identify any instances in which the reimbursement for these costs was not consistent with the terms of the contract.

WSRC was also reimbursed \$192,995 for services in support of contract closeout. This included labor costs for personnel performing a variety of administrative activities such as accounting, reporting, auditing and legal services. We selected and evaluated a statistical sample of these costs to determine whether the costs were consistent with the activities approved by Savannah River Operations Office. Our audit of the contract closeout costs did not identify any instances in which the reimbursement for these costs was not consistent with the terms of the contract.

We did not make any recommendations in this report. We appreciate the cooperation of your staff during our review.

Attachment

cc: Deputy Secretary
Chief of Staff

OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE

The objective of this audit was to evaluate costs reimbursed to Washington Savannah River Company (WSRC) during Fiscal Years (FYs) 2010 and 2011.

SCOPE

The audit included all costs reimbursed to WSRC during FYs 2010 and 2011. We performed the audit between March 2013 and March 2014, at the Savannah River Site near Aiken, South Carolina. The audit was conducted under Office of Inspector General Project Number A13SR024.

METHODOLOGY

To accomplish the objective of this audit, we:

- Identified and analyzed contract closeout activities approved by Savannah River Operations Office;
- Reviewed supporting documentation for direct costs reimbursed in FYs 2010 and 2011;
- Reviewed a statistical sample of supporting documentation for the contract closeout costs that were reimbursed;
- Reviewed applicable Federal and Department of Energy regulations and guidance;
- Reviewed prior Office of Inspector General and U.S. Government Accountability Office reports related to the audit objective;
- Reviewed applicable administrative, financial and accounting records; and
- Interviewed Savannah River Operations Office and contractor personnel with responsibilities over areas related to the audit objective.

To accomplish our audit objective, we evaluated a statistically selected sample of 60 of 637 expenditures to determine whether documentation was sufficient to support the claimed costs. A confidence level of 95 percent, a precision level of plus or minus 5 percent, and an expected error rate of 0 percent was used to determine the sample size. A statistical sample was selected to enable projection of the sample results across the entire universe of reimbursed contract closeout costs.

We conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective. The audit included test of controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. In particular, we assessed the implementation of the *GPRA Modernization Act of 2010* as necessary to accomplish the objective, and determined that it was not applicable to our audit scope. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We conducted an assessment of computer-processed data and we deemed the data to be sufficiently reliable.

An exit conference was waived by Savannah River Operations Office management on February 3, 2014.

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