



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

AUDIT REPORT

Small Business Subcontracting Goals at the
East Tennessee Technology Park

OAI-L-16-01

October 2015



Department of Energy
Washington, DC 20585

October 29, 2015

MEMORANDUM FOR THE MANAGER, OAK RIDGE OFFICE OF ENVIRONMENTAL
MANAGEMENT

A handwritten signature in black ink, appearing to read "Debra K. Solmonson".

FROM: Debra K. Solmonson, Director
Eastern Audits Division
Office of Inspector General

SUBJECT: INFORMATION: Audit Report: "Small Business Subcontracting
Goals at the East Tennessee Technology Park"

BACKGROUND

In April 2011, the Department of Energy (Department) awarded a nearly \$2.2 billion contract to URS | CH2M Oak Ridge LLC (UCOR) for environmental cleanup at the East Tennessee Technology Park in Oak Ridge, Tennessee. UCOR developed a Small Business Subcontracting Plan, as required by contract terms and the Federal Acquisition Regulation. Under the plan, UCOR commits to awarding 65 percent of total subcontract dollars to small businesses through specified small business categories. From August 2011 through August 2014, UCOR reported that 76 percent, or \$331 million, of its subcontracted work was awarded to small businesses.

The Department's Oak Ridge Office of Environmental Management monitors and rewards performance towards meeting the goals established in the UCOR subcontracting plan through the Performance Evaluation and Measurement Plan (PEMP). Specifically, the PEMP directs that the contractor be evaluated for subcontracting plan goal achievement. In addition, the PEMP includes an evaluation and award fee tied to UCOR's small business subcontracting goal achievement. Finally, UCOR's prime contract requires it to provide meaningful involvement for small business.

We conducted this audit to determine whether the Oak Ridge Office of Environmental Management was ensuring that UCOR was making adequate progress and properly reporting on its small business subcontracting goals.

RESULTS OF AUDIT

Nothing came to our attention to indicate that UCOR had not made adequate progress in meeting and reporting on its overall established small business subcontracting goals. While we did not discover any material issues, we identified instances where UCOR had incorrectly reported the socioeconomic status of some of its small business awards and did not include the signature date on many of the attestation documents. Nonetheless, during our review, UCOR initiated action to improve the overall accuracy of reporting its performance metrics.

Socioeconomic Status and Signature Date

UCOR's progress towards meeting its small business subcontracting goals is reported semiannually to the Oak Ridge Office of Environmental Management in the PEMP Self-Assessment. Specifically, the percentage and amount of subcontract dollars awarded to small businesses is reported by socioeconomic subcategory. UCOR's plan divides its small business goals into the following socioeconomic subcategories: Small Disadvantaged Business, Women-Owned Small Business, HUBZone Small Business, Veteran-Owned Small Business, and Service-Disabled Veteran-Owned Small Business. UCOR establishes the socioeconomic status of its small business awards through the use of a Representation and Certification (reps and certs) document. UCOR's procurement manual requires that successful offerors complete a reps and certs document for all awards exceeding \$10,000. This document includes the offeror's attestation regarding the company's socioeconomic status and is used by UCOR to populate semiannual performance metrics reported to the Department. The reps and certs document includes a signature certificate signed and dated by the offeror. The signature certificate attests that the information in the reps and certs, including the socioeconomic status, is accurate, current, and complete.

We reviewed 83 small business subcontracts and the complete population of fiscal year 2014 purchase and blanket order procurements processed by UCOR that exceeded the \$10,000 threshold for reps and certs. We identified inconsistent socioeconomic statuses in 23 percent (19 of 83) of the subcontract awards and 24 percent (59 of 251) of the purchase and blanket orders. Specifically, the socioeconomic status identified in the UCOR procurement database did not match the socioeconomic status self-certified by the small business representative on the reps and certs document. For example, one subcontractor self-certified that it was a Women-Owned Small Business on its reps and certs document but was only identified as a Small Business in the UCOR procurement database report. In another example, one small business with a series of purchase orders was identified as a Small Disadvantaged Business in the UCOR procurement database. However, on the self-certified reps and certs document, the business was only identified as a Small Business. While these inconsistencies resulted in UCOR inaccurately reporting small business subcontracting performance metrics to the Department, they would not have, in our opinion, affected UCOR's overall performance in achieving its small business goals.

Finally, we noted that the date was not included on many of the reps and certs. This is relevant as the date establishes the point-in-time for the information on the form being "accurate, current, and complete." In total, the date was missing on approximately half of the documents we reviewed.

As to meeting established goals, in its August 2014 PEMP Self-Assessment, UCOR reported meeting its overall small business goal. Furthermore, UCOR reported meeting its socioeconomic subcategory goals with the exception of the Service-Disabled Veteran-Owned Small Business category. The Oak Ridge Office of Environmental Management Contracting Officer stated UCOR's performance in small business subcontracting activities and progress towards meeting established socioeconomic category goals were considered when evaluating UCOR's award fee.

Actions Taken

In response to our audit work, UCOR officials informed us they had initiated several procurement process improvements that should enhance small business subcontract reporting and ensure that information is timely and accurate. These actions include the following:

- Providing a new reps and certs training class for procurement personnel.
- Conducting a thorough review of all reps and certs submitted by vendors to ensure completeness.
- Revising the current reps and certs form to make the date field more visible.
- Ensuring that reps and certs documents are received on all orders valued at \$10,000 or greater.
- Requiring vendors or subcontractors to correct and resubmit inaccurate reps and certs.

SUGGESTED ACTIONS

To enhance the accuracy of small business procurement actions reported in the PEMP semiannual assessment reports, we suggest that the Manager, Oak Ridge Office of Environmental Management, advise the Contracting Officer to ensure that UCOR completes the identified process improvement actions to strengthen internal controls and validate performance metrics for small business procurement activities provided by UCOR in the PEMP semiannual assessment reports.

Attachments

cc: Deputy Secretary
Chief of Staff

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of the audit was to determine whether the Oak Ridge Office of Environmental Management was ensuring that URS | CH2M Oak Ridge LLC (UCOR) was making progress and properly reporting on its small business subcontracting goals.

SCOPE

We conducted the audit from November 2014 to October 2015 at the East Tennessee Technology Park and the Oak Ridge Office of Environmental Management, which are both located in Oak Ridge, Tennessee. The scope of the audit included UCOR's small business subcontracting progress and reporting. The audit was conducted under Office of Inspector General project number A15OR010.

METHODOLOGY

To accomplish the audit objective, we:

- Held discussions with Headquarters Office of Small and Disadvantaged Business Utilization personnel;
- Met with the Oak Ridge Office of Environmental Management Contracting Officer;
- Met with UCOR procurement personnel;
- Reviewed UCOR-awarded small business electronic and hard copy subcontracts over \$10,000; and
- Reviewed fiscal year 2014 electronic and hard copy purchase and blanket orders over \$10,000.

We conducted this performance 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. Accordingly, the audit included tests of controls and compliance with laws and regulations necessary to satisfy the audit objective. We also assessed compliance with the *GPR Modernization Act of 2010* and found that performance measures had been established to assist in measuring the Department of Energy's actions for awarding contracts to small businesses. 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 utilized computer-processed data to identify the population and samples of procurement documents to achieve our audit objective. We confirmed the validity of such data, as appropriate, by conducting interviews and

reviewing source documents. Based on our comparisons of computer-processed data to supporting documentation, we determined that the data was sufficiently reliable for the purposes of our report.

An exit conference was held on October 23, 2015.

RELATED REPORTS

Office of Inspector General Report

- Audit Report on [Contract Awards to Small Businesses Under the Mentor-Protégé Program](#) (DOE/IG-0898, November 2013). The audit determined there were a number of weaknesses in the Department of Energy (Department) management of the Mentor-Protégé program. Specifically, 13 firms were permitted to participate in the program even though they already appeared to possess the capabilities typically developed by small businesses, prior to being selected as protégés. Also, six agreements exceeded recommended terms of up to 6 years, and four protégés that graduated from the program at one Department site were allowed to enter into similar agreements at other sites.

Government Accountability Office Report

- Audit Report on [Women-Owned Small Business Program: Certifier Oversight and Additional Eligibility Controls Are Needed](#) (GAO-15-54, October 2014). The Government Accountability Office (GAO) determined that businesses have two options to certify their eligibility for the women-owned small business (WOSB) program. Whether self-certifying at no cost or using the fee-based services of an approved third-party certifier, businesses must attest that they are a WOSB or an economically disadvantaged WOSB. GAO found that the Small Business Administration (SBA) performs minimal oversight of third-party certifiers and had yet to develop procedures that provided reasonable assurance that only eligible businesses obtain WOSB set-aside contracts. GAO recommended that SBA, among other things, establish and implement procedures to monitor certifiers and improve annual eligibility examinations, including by analyzing examination results. SBA generally agreed with GAO's recommendations.

FEEDBACK

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