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AUDIT REPORT

HANFORD SITE CONTRACTORS' USE OF SITE SERVICES



MARCH 1999

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES

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MEMORANDUM FOR THE MANAGER, RICHLAND OPERATIONS OFFICE

FROM: Lawrence R. Ackerly, Regional Manager (Signed)
Western Regional Audit Office
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on "Hanford Site Contractors' Use of Site Services"

BACKGROUND

To operate the Hanford Site (Site), contractors need to use numerous services, such as telecommunications, copying, and photography. The Richland Operations Office (Richland) directed certain contractors to provide these and other services, called "site services," for the benefit of all contractors and assigned responsibility for optimal utilization of these services to its Site Infrastructure Division (SID). In the past, the Office of Inspector General audited several site services, including groundwater monitoring, protective forces, personnel security clearances, railroad services, and fleet management. These audits disclosed that the services were not always efficiently and effectively coordinated. Therefore, the objective of this audit was to examine other site services, principally those provided at least in part by Fluor Daniel Hanford, Inc., to determine if contractors were acquiring services already available.

RESULTS OF AUDIT

Contractors acquired telecommunications, copying, and photography services that were already available, even though the Site had enough capacity to respond to contractors' needs. Although SID was responsible for optimal use of site services, it neither used nor obtained information needed to properly coordinate the use of those services. Instead, it allowed the contractors to develop in-house services or purchase commercial services rather than use the established site services. If Richland continues to allow contractors to independently procure services already available on site, it will forgo savings of almost \$1.5 million annually. We recommended that Richland gather and use information on site services to coordinate the contractors' use of available service capacity and direct contractors to use site services that are available.

MANAGEMENT REACTION

The Richland Operations Office concurred with the finding and recommendations and is planning corrective action.

HANFORD SITE CONTRACTORS' USE OF SITE SERVICES

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Overview

INTRODUCTION AND OBJECTIVE

The mission of the Department of Energy (DOE), Richland Operations Office (Richland) is to safely manage legacy wastes, develop and deploy science and technology, and provide stewardship of the Hanford Site (Site). To accomplish its mission, Richland employs five prime contractors: Fluor Daniel Hanford, Inc. (Fluor Daniel); Bechtel Hanford, Inc. (Bechtel); Battelle-Pacific Northwest National Laboratory (Battelle); Hanford Environmental Health Foundation; and BNFL, Inc. Some of these contractors, in turn, have multiple subcontractors.

To operate the Site, contractors need to use numerous services, such as telecommunications, copying, and photography. Richland directed certain contractors to provide these and other services, called "site services," for the benefit of all contractors and assigned responsibility for optimal utilization of these services to its Site Infrastructure Division (SID). In the past, the Office of Inspector General (OIG) audited several site services, including groundwater monitoring, protective forces, personnel security clearances, railroad services, and fleet management. These audits disclosed that the services were not always efficiently and effectively coordinated (see Appendix 2). Therefore, the objective of this audit was to examine other site services, principally those provided at least in part by Fluor Daniel, to determine if contractors were acquiring services already available.

CONCLUSIONS AND OBSERVATIONS

Contractors acquired telecommunications, copying, and photography services that were already available, even though the Site had enough capacity to respond to contractors' needs. Although SID was responsible for optimal use of site services, it neither used nor obtained information needed to properly coordinate the use of those services. Instead, it allowed the contractors to develop in-house services or purchase commercial services rather than use the established site services. If Richland continues to allow contractors to independently procure services already available on site, it will forgo savings of almost \$1.5 million annually.

This report contains issues that Richland should consider when completing its annual assurance memorandum.

(Signed)
Office of Inspector General

Hanford Site Services

Capacity Of Site Services

Contractors acquired telecommunications, copying, and photography services even though those services were available on site and had enough capacity to fulfill the contractors' needs. For instance:

Telecommunications

The on-site system, which is managed by a Fluor Daniel subcontractor, was equipped to handle 24,400 telecommunication lines. At the time of the audit, 15,700 lines were in use and 8,700 lines were available for use. Despite having available lines, however, a prime contractor purchased 540 to 600 lines from a commercial source. Further, another contractor planned to replace its existing system in November 1999 with a 3,400 to 4,000 line system.

Copying

The on-site copying center, operated by Fluor Daniel, had available unused capacity of 8 million copies. Despite having this capacity available on site, a prime contractor established its own in-house copying center. Further, this same contractor also purchased from commercial vendors over 850,000 copies during 1998. This purchase occurred even though the contractor's own center had available unused capacity of about 500,000 copies, and the Fluor Daniel center had available unused capacity of 8 million copies. In addition, Fluor Daniel subcontractors purchased over 106,000 additional copies from commercial printing services in 1998.

Photography

Although only 56 percent of the photography shop capacity was used, contractors purchased over \$60,000 of commercial photography services rather than use the established photography services.

In all three instances, established site services had available capacity, yet contractors acquired additional services.

Landlord Responsibilities

Federal Acquisition Regulation 1.602 prescribes contract administration responsibilities that Richland must follow for the Site. In describing these responsibilities, Department Order 430.1 stated that Richland was responsible for the efficient and effective acquisition and management of all Government assets. As the site landlord, Richland delegated to

SID the responsibility to coordinate and integrate development of various site services. As part of its mission responsibilities, SID was to reduce costs associated with site services and to ensure the services were optimally used.

SID Mission Not Met

Although SID was responsible for site services, it had neither used nor obtained site services information needed to properly coordinate the use of those services. For example, SID paid a consultant almost \$450,000 to evaluate the Site's telecommunications systems. The consultant reported in March 1997, and again in February 1998, that two contractors were using telecommunications systems other than the on-site system. The consultant recommended that the two contractors use the established system, thereby significantly reducing Richland's telecommunications costs. However, it was not until November 1998 that SID acted to encourage contractor use of the on-site system. After having been informed by the OIG that one of the contractors was set to replace its existing system with a system that would unnecessarily cost Richland over \$6 million over the next 5 years, SID initiated a request that the Assistant Manager for Science and Technology direct the contractor to delay the acquisition. SID stated that it wanted to completely explore the option of providing service to the contractor through the site telecommunications system. SID was also not aware that contractors were using commercial copy services without proper authorization rather than using the site service. When the OIG informed SID of this condition, it began a review of purchased copying services to determine allowability of costs.

SID had not taken a proactive approach to ensure optimal use of site services. When contractors proposed to acquire a service rather than use the site service, SID did not determine how that acquisition would affect Richland's costs. For example, a prime contractor justified using a commercial telecommunications system rather than Richland's system because the commercial system was \$64,670 less costly per year than Richland's system. Although this action may have been less costly to the contractor, it actually increased Richland's total telecommunications cost by about \$198,670 per year because Richland had to pay for the commercial service as well as the unused lines on the site system. In another example, a contractor developed duplicative in-house copying services that reportedly would reduce the contractor's copying costs. However, as with the telecommunications example, this action may

have reduced the contractor's costs, but not Richland's, because the site copying service already had available unused capacity of 8 million copies that was being paid for even if unused.

Increased Costs

Richland could save about \$1.5 million annually if duplicative telecommunications, copying, and photography services were eliminated. Specifically, Richland could save about \$1.3 million per year if contractors used the established telecommunications system. Additional savings of over \$240,000 could be achieved if contractors used the established copying and photography services.

RECOMMENDATIONS

We recommend that the Manager, Richland Operations Office:

1. direct SID to periodically gather information on the use of site services and use that information to coordinate the contractors' use of available service capacity; and,
2. direct contractors to use site services that are available.

MANAGEMENT REACTION

Management concurred with both recommendations. Richland stated that it was currently reviewing and assessing the contractors' use of site services, particularly in the three areas identified in the report, and would review site services in future years through the Annual Performance Evaluation Plan and Business Management Oversight Process.

Concerning telecommunications, Richland stated there were unresolved issues related to the site system and the commercial services provided to two of Richland's contractors. These issues included extension of the contract for the site system, which would be done by June 1999, and the expiration of the telecommunications contracts of two Richland contractors, the last of which would expire in November 1999. Richland expected to make a determination regarding the telecommunications services by June 1999 and would then issue directions to its contractors. Until the issues were resolved, however, Richland stated that it could not respond to the estimated \$1.3 million of annual savings.

With respect to copying and photography, Richland stated it was gathering information on the use of these services and coordinating contractors' use of available site resources whenever possible. Richland

cited actions it had taken to reduce individual purchase card (P-Card) procurements of these services. Richland stated that it believed the estimated savings of over \$240,000 annually were overstated. However, Richland did not cite an alternative savings amount. Richland stated that the amount of savings would depend upon the results of its planned review of copying services and upon guidance requested of Headquarters.

AUDITOR COMMENTS

We consider management's comments to the recommendations to be responsive.

OTHER MATTERS

The mapping activities of Richland's contractors were not integrated into a definitive site-wide map. Maps produced by the various contractors for the Site's 200-East Area showed a different number of structures. Fluor Daniel's map showed 499 structures, Battelle's map showed 458 structures, and Bechtel's map showed 454 structures. In addition, construction activities were not always integrated into site maps. From 1994 to 1997, contractors reported 12 safety occurrences of excavating and breaking water and electrical lines caused by inaccurate mapping of underground utilities. At the time of our audit, management still could not provide updated maps for 9 of the 12 reported occurrences. We also noted that contractors had recently laid about 21,000 feet of underground gas lines that were not shown on any site map. Better-coordinated mapping activities would reduce the risk of safety occurrences and make mapping activities more effective.

Appendix 1

SCOPE

The audit was performed from April 13, 1998 through November 27, 1998, at Richland's offices; Fluor Daniel, the managing and integrating contractor for the Project Hanford Management Contract; Bechtel, the environmental restoration contractor; Battelle, management and operating contractor for the national laboratory; Hanford Environmental Health Foundation, the contractor for Site medical services; and BNFL, Inc., contractor for the Tank Waste Remediation System privatization project. Our audit included selected activities from 1994 through 1998 for the following site services:

- telecommunications systems,
- copy and photography services,
- pesticides and herbicides,
- mapping,
- local area network,
- fabrication shops,
- locksmith services, and,
- calibration laboratory.

METHODOLOGY

To accomplish the audit objective we:

- held discussions with Richland and contractor personnel;
- reviewed laws, regulations, and contractual requirements;
- reviewed budgets, expenditures, and P-Card charges;
- evaluated contractor efforts to efficiently use site services;
- reviewed reported safety occurrences caused by poor drawings and maps;
- toured facilities such as shops, laboratories, and offices; and,
- evaluated Richland and contractor efforts to better integrate and coordinate site services.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed Richland and contractor controls for the use of services at the Site. 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 did not conduct a reliability assessment of computer-processed data because only a very limited amount of computer-processed data was used during the audit.

We held an exit conference with Richland's Director of Management and Economic Transition Division on February 17, 1999.

Appendix 2

Related Audits And Reviews

This audit concerned Richland's efforts to provide coordinated and integrated site services for its multiple contractors. Prior OIG audits and other DOE reviews related to such efforts include:

1. *Audit of Richland Operations Office Oversight of Management & Operating Contractor Personnel Security Clearances*, WR-B-91-01, November 30, 1990

Richland had an excessive number of clearances and security levels were higher than needed.

2. *Audit of Equipment Use and Repair at the Hanford Site*, WR-BC-93-1, March 8, 1993

The Hanford Site management and operating contractor had not identified under-utilized equipment.

3. *Review of DOE's Personnel Security Clearance Program*, DOE/IG-0323, March 31, 1993

DOE had incurred unnecessary costs for unneeded clearances because of inadequate policies and procedures.

4. *Audit of the Management and Cost of the Department of Energy's Protective Forces*, DOE/IG-0354, July 27, 1994

The audit showed how the cost of physical security had unnecessarily increased because ways to reduce the safeguards and security costs were not considered.

5. *Audit of Light Vehicle Fleet Management in the Department of Energy*, DOE/IG-0362, December 5, 1994

DOE's operations offices' vehicle fleets were underused because the operations offices did not take an active role in ensuring contractors effectively monitored and managed vehicle utilization.

6. *Audit of Groundwater Monitoring at Hanford*, WR-B-97-03, November 15, 1996

Site well monitoring activities by three principal contractors overlapped and resulted in duplicative groundwater monitoring activities.

7. *Audit of the Use of Hanford Site Railroad System*, WR-B-97-04, March 20, 1997

The Site's railroad system was not fully used because it was not integrated into the site activities.

8. *Audit of the U.S. Department of Energy's Efforts to Preserve Knowledge Base Needed to Operate a Downsized Nuclear Weapons Complex*, DOE/IG-0428, October 2, 1998

DOE had not developed a coordinated, integrated program to preserve the knowledge base of the downsized nuclear weapons complex.

9. *Review of Control of the Spread of Radioactive Contamination Due to Biological Transport on the Hanford Site*, DOE/RL-98-77, November 1998

Richland needed to issue policy to control the spread of radioactive contamination and to ensure coordination exists between its management groups, the Office of Environment, Safety and Health, and other Richland line organizations.

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