



OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

AUDIT REPORT

DOE-OIG-24-33

September 2024

**OPPORTUNITIES EXIST TO IMPROVE
NNSA'S CONTRACT ADMINISTRATION
AND OVERSIGHT OF SKOOKUM
EDUCATIONAL PROGRAMS**



Department of Energy
Washington, DC 20585

September 26, 2024

**MEMORANDUM FOR THE ADMINISTRATOR, NATIONAL NUCLEAR SECURITY
ADMINISTRATION**

SUBJECT: *Audit Report: Opportunities Exist to Improve NNSA's Contract Administration and Oversight of Skookum Educational Programs*

The attached report discusses our audit of Skookum Educational Programs' contracts with the Office of Secure Transportation. The Office of Inspector General received a Hotline complaint alleging that Skookum Educational Programs, a contractor that performed vehicle and facility maintenance at an Office of Secure Transportation Command Center, engaged in billing practices that raised potential issues of fraud with clear examples of waste and abuse. We initiated this audit to: (1) determine the validity of the allegation that Skookum Educational Programs' billing practices raised potential issues of fraud with clear examples of waste and abuse, and (2) identify and examine any related matters that came to our attention regarding contracts DE-NA0001745 and 89233119CNA000027. We did not substantiate the allegations but identified areas for improvement in the National Nuclear Security Administration's contract administration and oversight. In addition, we questioned the National Nuclear Security Administration's nonpayment of \$270,781 for work performed and \$81,875 for the use of contractor assets.

This report contains seven recommendations that, if fully implemented, should help ensure that the National Nuclear Security Administration properly manages contracts. Management concurred with Recommendations 1, 2, 3, 4, and 7. Management declined to respond to Recommendations 5 and 6 since they relate to issues that may be the subject of potential future claims under the Contract Disputes Act.

We conducted this audit from April 2023 through July 2024 in accordance with generally accepted government auditing standards. We appreciated the cooperation and assistance received during this audit.

A handwritten signature in blue ink, appearing to read "MDJ", is located above the name Matt Dove.

Matt Dove
Assistant Inspector General
for Audits
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE-OIG-24-33



WHY THE OIG PERFORMED THIS AUDIT

The National Nuclear Security Administration's (NNSA's) Office of Secure Transportation is responsible for the safe and secure transport of Government-owned special nuclear materials in the contiguous U.S. On June 27, 2022, the Office of Inspector General received a Hotline complaint alleging that Skookum Educational Programs (Skookum), a contractor that performed vehicle and facility maintenance at an Office of Secure Transportation Command Center, engaged in billing practices that raised potential issues of fraud with clear examples of waste and abuse.

We performed this audit to determine the validity of those allegations and any related matters that came to our attention.

Department of Energy Office of Inspector General

Opportunities Exist to Improve NNSA's Contract Administration and Oversight of Skookum Educational Programs (DOE-OIG-24-33)

What Did the OIG Find?

We did not substantiate the allegations of fraud, waste, and abuse by Skookum. However, we found that NNSA did not increase the contract ceiling value commensurate with the extended period of performance. The concerns raised with the Hotline resulted from this inadequate contract ceiling value, coupled with poor contract management practices, such as the inclusion of ambiguous language in the contract and a loss of historical contract knowledge stemming from incomplete contract files. We also questioned NNSA's nonpayment of \$270,781 for work performed and \$81,875 for the use of contractor assets.

What Is the Impact?

Working relations between NNSA and Skookum have deteriorated to the point where NNSA communicated to Skookum that NNSA no longer considers Skookum to be a trusted and reliable partner. For Skookum's current contract, NNSA has significantly increased administrative contract requirements such as requiring pre-approval for all expenses regardless of amount. Since we did not substantiate the allegations, NNSA's determination of increased risk associated with this contract should be reassessed to validate the appropriate contract oversight level. Further, NNSA may owe Skookum for the unpaid work performed during the approved extended period of performance and for unpaid depreciation expenses.

What Is the Path Forward?

To address the issues identified in this report, we have made seven recommendations that, if fully implemented, should help ensure that NNSA contracts are properly managed and funded, and that NNSA fulfills its contractual obligations to Skookum.

BACKGROUND

The National Nuclear Security Administration's (NNSA) Office of Secure Transportation (OST) is responsible for the safe and secure transport of Government-owned special nuclear materials in the contiguous U.S. These classified shipments can contain nuclear weapons or components, enriched uranium, or plutonium. Cargo is transported in highly modified secure tractor-trailers and escorted by armed Federal agents in other vehicles who provide security and national incident command system response in the event of emergencies.

In 2011, the OST decided to solicit bids for new contractor support for its vehicle maintenance facility (VMF), its mobile electronic maintenance facility (MEMF), and facilities maintenance services at the OST's Agent Operations Eastern Command. NNSA issued a Sources Sought announcement seeking VMF, MEMF, and facilities maintenance services in September 2011. SourceAmerica,¹ a Central Nonprofit Agency² within the AbilityOne Program, found the Sources Sought announcement and contacted NNSA to determine if this work could be performed under the AbilityOne Program.

The AbilityOne Program is among the largest sources of employment in the U.S. for individuals who are blind or have significant disabilities, including veterans, through contracts with nonprofit agencies. The statutory and regulatory authorities that govern the AbilityOne Program include the Javits-Wagner-O'Day Act, codified at 41 United States Code, Chapter 85, and its implementing regulations at 41 Code of Federal Regulations (CFR) 51, 48 CFR 8.002, and 48 CFR 8.7. These statutory and regulatory authorities mandate that the Federal Government prioritize procurements from the AbilityOne Program's participating nonprofit agencies.

According to NNSA, the AbilityOne Commission and SourceAmerica identified Skookum Educational Programs (Skookum) as the nonprofit agency that could provide the VMF, MEMF, and facilities maintenance services. Skookum was founded in 1988 and operates in 13 states as a nonprofit corporation. It has over 1,300 employees, including a significant number of combat disabled veterans. Skookum provides facilities management and logistics support services and specializes in public works and fleet management, warehousing, and distribution for Federal and commercial customers. Skookum is an experienced AbilityOne provider with numerous AbilityOne contracts.

In August 2012, per Federal Acquisition Regulation (FAR) 8.002, 8.704, and 6.302-5 requirements, NNSA awarded a sole-source 5-year contract to Skookum for VMF, MEMF, and facilities maintenance services for the OST's Agent Operations Eastern Command. Contract DE-NA0001745 was a fixed-fee, time-and-materials (T&M), incrementally funded,³ indefinite-

¹ In 2013, the National Industries for the Severely Handicapped changed their name to SourceAmerica.

² The Javits-Wagner-O'Day Act directs the AbilityOne Committee to designate "a central nonprofit agency or agencies to facilitate the distribution" of Government orders of Procurement List products and services among nonprofit agencies that employ people who are blind or have significant disabilities. As part of its role, Central Nonprofit Agencies, such as SourceAmerica, recommend nonprofit agencies for AbilityOne Program opportunities as well as oversee and assist its nonprofit agencies to ensure contract compliance in furnishing a product or service.

³ According to NNSA's Business and Operating Policy 540.4, *Contract Funding Policy*, incremental funding means that a sufficient level of funding shall be provided to fund the contract through the end of the current fiscal year or the performance period. In other words, a multi-year contract does not need to be fully funded when awarded.

delivery indefinite-quantity contract. Services provided for program management, facilities maintenance, VMF, and MEMF were divided into task orders. In 2014, the OST added its Training Command VMF and MEMF operations scope of work to Skookum's contract, and it established Task Order DE-DT0008328 for VMF and MEMF services.

Task Order DE-DT0008328 used both T&M⁴ contract line item numbers (CLINs)⁵ and firm-fixed-price (FFP)⁶ CLIN. The CLINs under Task Order DE-DT0008328 were as follows:

- CLIN 0003, a T&M type for surge personnel and labor (i.e., overtime) on VMF and MEMF services;
- CLIN 0004, a T&M type for the purchase of materials/supplies greater than \$2,500 for the Agent Operations Eastern Command in Oak Ridge, Tennessee, and for travel reimbursements;
- CLIN 0007, a FFP for labor, materials/supplies (less than \$2,500 in value), and all things necessary to perform vehicle and mobile electronic maintenance; and
- CLIN 0011, a T&M type for the purchase of materials for Training Command VMF and MEMF operations in Ft. Chaffee, Arkansas.

The period of performance of Contract DE-NA0001745 ended on August 15, 2018; however, on this date, a new 5-year contract was still under negotiation. As a result, Contract DE-NA0001745 expired on August 15, 2018, but its three active task orders were extended for an additional 4 months. DE-DT0008328 and the other two task orders ended on December 15, 2018, at which point NNSA and Skookum signed a new contract, 89233119CNA000027. Most of the task orders and its CLINs under Contract DE-NA0001745 were paid in full, but as of April 2024, the balance of FFP CLIN 0007 on Task Order DE-DT0008328 remains unresolved.

On November 8, 2021, Skookum's legal counsel sent a draft claim letter to the Contracting Officers (COs) for "Discussion Purposes." In the draft claim letter, Skookum indicates that it would seek payment for the outstanding amounts due under Task Order DE-DT0008328 FFP CLIN 0007 for the invoiced periods of November 2018 and December 2018, and it would request that the CO issue a final decision within 60 days, or agree to participate in alternative dispute resolution, if necessary. On June 27, 2022, the CO responded to Skookum's letter by listing a number of concerns regarding Skookum's billing practices and contract compliance with T&M CLIN terms and FFP CLIN terms. The CO also mentioned concerns regarding Skookum's request for payment on the depreciation of eight assets and questioned the purchase history of those assets. In the letter, the CO states that: (1) the Government's best interests cannot be

⁴ A T&M contract type or CLIN provides for acquiring supplies or services on the basis of: (1) direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit, and (2) actual cost for materials. See FAR 16.601(b).

⁵ Per 48 CFR 204.7103-1, contracts shall identify the items and services to be acquired as separate CLINs unless it is not feasible to do so.

⁶ A FFP contract type or CLIN provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract, and it places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. See FAR 16.202-1.

served by closing out the subject Task Order Contract; (2) a contract modification was issued under the current contract 89233119CNA000027 that made all materials/supplies purchases subject to pre-approval regardless of dollar value; and (3) the burden was on Skookum to resolve and/or eliminate NNSA's concerns about the remaining amount Skookum had invoiced.

On the same day that the CO sent the letter to Skookum, NNSA submitted a Hotline complaint to the Department of Energy's Office of Inspector General stating contract closeout of Task Order DE-DT0008328 was not possible due to NNSA's concerns over Skookum's billing practices, and it alleged these concerns raised potential issues of fraud and exhibited clear examples of waste and abuse.

We performed this audit to: (1) determine the validity of the allegation that Skookum's billing practices raised potential issues of fraud with clear examples of waste and abuse, and (2) identify and examine any related matters that came to our attention regarding contracts DE-NA0001745 and 89233119CNA000027.⁷

ALLEGATIONS OF CONTRACTOR FRAUD, WASTE, AND ABUSE

We did not substantiate the allegation that Skookum's billing practices raised potential issues of fraud with examples of waste and abuse. In the Hotline complaint, NNSA stated that Skookum's payment request for outstanding invoices of \$270,781 and depreciation expenses of \$81,875 was not possible because NNSA discovered several concerns regarding Skookum's billing practices. The allegation against Skookum can be broken down into four main concerns:

1. NNSA stated, "Skookum's spending contributed to the eventual cost overrun of CLIN 007 [sic] for which Skookum now seeks full reimbursement." We did not substantiate this concern.
2. NNSA stated that Skookum "concocted a scheme" which inflated FFP CLIN 0007 by circumventing threshold requirements and hiding unallowable costs under the FFP CLIN. We did not substantiate this concern.
3. NNSA stated that Skookum did not comply with the contract terms and conditions for the T&M CLINs, resulting in the CO/Contracting Officer's Representative (COR) being displaced from making decisions on materials purchases and thereby undermining one of their core responsibilities. We did not substantiate this concern.
4. NNSA stated that Skookum overbilled depreciation costs. We did not substantiate this concern.

⁷ As of October 2017, Federal agencies were required by FAR 4.16 to use a new format for the Procurement Instrument Identifier for all solicitation and contract actions. As a result, the current Skookum contract has a different numbering system than the original contract.

2018 Extension of Firm-Fixed-Price Contract Line Item Number 0007

We found that Skookum did not overrun FFP CLIN 0007. Rather, the CLIN's final ceiling value was not increased in accordance with the agreed-upon existing rate required to cover the scope of work added in the contract extensions. Task Order DE-DT0008328, which included FFP CLIN 0007, started in October 2014 and covered a period of performance that ended on August 15, 2018. When the period of performance ended, NNSA and Skookum were still negotiating a new contract. To continue mission essential work, the active task orders, including DE-DT0008328, were extended until a new contract was signed.

We reviewed Task Order DE-DT0008328 and its modifications as well as Skookum's invoices for FFP CLIN 0007. We found the following:

- For work performed through August 15, 2018, FFP CLIN 0007 was invoiced for \$18,333,395. We found these invoices for FFP CLIN 0007 were at or below the agreed-upon monthly amounts.
- Two modifications were issued for Task Order DE-DT0008328 that extended the period of performance through December 15, 2018. Both modifications cited FAR 52.217-8,⁸ which committed the Government to pay Skookum at the existing rate. For FFP CLIN 0007, the total commitment of these modifications was \$1,697,485.
- Modification 0034 for Task Order DE-DT0008328 increased the ceiling value of FFP CLIN 0007 to \$19,760,099.

The \$18,333,395 invoiced for FFP CLIN 0007 for work performed through August 15, 2018, plus the \$1,697,485 committed for work performed through December 15, 2018, totaled \$20,030,880. This amount is greater than the final ceiling value of \$19,760,099. Thus, the final ceiling value for FFP CLIN 0007 was inadequate to cover the scope of work added in the contract extensions. Further details of the extension modifications are included in Appendix 3.

We requested NNSA provide evidence of discussions or negotiations regarding the final ceiling value of FFP CLIN 0007. NNSA provided us with no evidence of the discussions or negotiations. We made the same request to Skookum who responded, "The ceiling value was never discussed." After Skookum received Modification 0034, it notified the CO that the funding was inadequate to cover the remaining invoices and asked if there was additional funding. Despite its concerns, Skookum signed Modification 0034. When we asked Skookum why it signed this modification when it had reservations, Skookum told us that: (1) in its experience, a CO would not consider or issue a contract modification if there was not sufficient ceiling value; (2) it placed confidence in paragraph (c) of the contract clause NNS-H-1014,

⁸ FAR 52.217-8, Option to Extend Services, states, "[T]he Government may require continued performance of any services within the limits and at the rates specified in the contract." Based on our review of the task order modifications prior to the 2018 extensions, the "continued rate" was \$424,371 per month for FFP CLIN 0007.

Limitation of Government's Obligation,⁹ which in Modification 0034 states, "It is contemplated that funds presently allotted to this contract will cover the work to be performed until December 15, 2018;" and (3) it had the good-faith belief that the Government would provide the funding needed to pay for completed work and had no notification that the Government would not be able to pay the final amounts until after it submitted the invoices for November and December 2018.

FAR 31.102 states that the price accepted by the parties for a FFP contract is an agreement on the total price. The contract amount that NNSA and Skookum agreed upon before the start of FFP CLIN 0007 in 2014 was that CLIN's contract cost for the original period of performance. An increase in scope or period of performance for this contract would add cost and result in NNSA and Skookum negotiating a new total price.

When we reviewed prior contract changes to FFP CLIN 0007, we found that modifications associated with these changes had new ceiling values, included payment schedules, and were agreed to and signed by both parties before that new work began. This was not the case for the 2018 extensions. Specifically, Modification 0032 increased FFP CLIN 0007's ceiling value by \$250,000 but did not include a payment schedule, and Modification 0033 did not have a ceiling value or a payment schedule. Finally, Modification 0034 was not provided to Skookum for review and signature until after the period of performance ended and its work under FFP CLIN 0007 was completed. Based on the modifications that extended Task Order DE-DT0008328 by 4 months and the included clause, FAR 52.217-8, the CO acknowledged that the price of the extension would be \$424,371 per month. Skookum invoiced NNSA \$424,371 per month for each of the 4 months. Purchase requisitions and communications between the CO and Skookum revealed that the CO understood and offered tacit approval for the projected monthly costs of Skookum's invoices for the 2018 extension period; however, the final ceiling value of \$19,760,099 was not increased to cover the costs associated with the extended period of performance.

Inflation of Firm-Fixed-Price Contract Line Item Number 0007

We did not substantiate the allegation that Skookum inflated FFP CLIN 0007 by circumventing threshold requirements and hiding unallowable costs. CLIN 0007 is FFP. FAR 31.102 states that the price accepted by the parties for a FFP contract is an agreement on the total price. In addition, FAR 16.202-1 states, "[A] FFP contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract." Since a FFP contract is an agreement on a total fixed price, and since that price is not adjusted to account for the contractor's actual costs while performing the contract, then Skookum's actual expenditures under FFP CLIN 0007 could not "inflate" that CLIN's agreed-upon total fixed price.

⁹ NNS-H-1014 is applicable only to fixed-price contracts and is to be used in solicitations and contracts for fixed-price services that are incrementally funded. Modification 0034's NNS-H-1014 clause, which Skookum cited and relied upon, indicates that \$23,811,635 was available for payment. Therefore, it is understandable that Skookum thought that there was adequate money available to cover the costs of FFP CLIN 0007's extensions.

The monthly invoices for FFP CLIN 0007 did not include expenditure detail and never exceeded the agreed-upon monthly total amounts. To research how the sum total of FFP CLIN 0007's monthly invoices exceeded the final ceiling value, NNSA contract officials requested detailed cost data for CLIN 0007 from Skookum, and Skookum complied with the request. According to NNSA, Skookum's actual expenditures inflated FFP CLIN 0007's total price. NNSA cited two main causes for the inflation and resulting \$270,781 difference between the costs invoiced to NNSA and the CLIN's ceiling value. In the Hotline complaint, NNSA stated: (1) "Skookum concocted a scheme where it could justify the total cost of the overall invoice over \$2,500 so long as the individual cost of each item was less than \$2,500," and (2) Skookum incurred other "hidden" unallowable costs.

First, we found that Skookum's charging invoices greater than \$2,500 under FFP CLIN 0007 was not a scheme but a difference in interpretation of FFP CLIN 0007's contract terms. We reviewed Contract DE-NA0001745 and its modifications, Task Order DE-DT0008328 and its modifications, and the performance work statements under the contract. Regarding the \$2,500 threshold for FFP CLIN 0007, the contract states:

The Contractor shall furnish all personnel and labor, materials/supplies ([l]ess than \$2,500 in value) and otherwise do all things necessary for or incident to performing Vehicle and Mobile Electronic Maintenance [sic] specified in the Performance Work Statement, entitled, 'Vehicle Mechanical and Mobile Electronic Maintenance, Operations and Support Services.'

The contract did not clearly identify whether the "[l]ess than \$2,500 in value" threshold referred to the total invoice amount or the cost of an individual item. Our review of documented discussions between the original CO and Skookum showed agreement between the parties that the threshold applied to item cost rather than total invoice cost. These documents revealed multiple negotiations between the original CO and Skookum management in regard to adding a threshold to the FFP CLIN, and that the threshold amount was determined, in part, by using historical cost data.¹⁰ We found additional communication, early in the period of performance, between the original COR and Skookum management that noted the threshold was for "materials and supplies that has a single item price of \$2,500."

The OST and current contracting officials also stated that the purpose of the \$2,500 threshold was to provide cost control and give the program office opportunity to make decisions on whether purchases provided the best benefit to the Government. In fact, according to September 2014 communications between the original CO and the OST, changing the T&M contract to FFP contract type in 2014 was in the Government's best interest because, per FAR, T&M contracts were the least preferred contract vehicle, and a FFP contract would reduce a lot of the administrative work. The original CO also explained that a CLIN structure with a threshold was developed to reduce Skookum's risk of performing the work under a FFP arrangement. Correspondence between the original CO and Skookum showed that a limit of liability level (the threshold) was established for high dollar or non-routine costs which would then be charged to

¹⁰ Prior to October 2014, only T&M CLINs were used for the Skookum contract. Skookum reviewed all items purchased from October 2012 through July 2014 and informed the original CO that most items purchased were less than \$1,500.

the T&M CLIN; therefore, the historical documentation shows that the threshold was developed to limit Skookum's risk, not as a cost control measure on the FFP CLIN. However, neither these communications nor the documentation of the decision-making process related to the threshold agreement were available in the contract file.

Second, related to NNSA allegations that Skookum incurred other "hidden" unallowable costs, NNSA stated:

Skookum incurred costs for approximately \$21,981 on such things that are clearly and expressly unallowable. Because these costs encompass employee meals, entertainment, social activities, and/or morale costs, such costs are clearly and expressly unallowable under the cost principles per FAR Subpart 31.603(b)(1), (5), and (9) and FAR Subpart 31.702 pursuant to the OMB Uniform Guidance at 2 CFR 200, Subpart E, Appendix IV, for non-profit corporations.

However, we found in our review of the cited cost principles that they were not applicable to a FFP contract since the principles do not apply to contracts under which an organization is not required to account for actual costs incurred to the Federal Government (i.e., a FFP contract). As noted above, none of these costs were invoiced to the Government. The invoices for FFP CLIN 0007 were consistent with the fixed monthly invoice amounts agreed upon by both parties and did not include any cost detail.¹¹

Additionally, NNSA identified 281 transactions charged to FFP CLIN 0007, which according to NNSA, did not comply with contract terms. These 281 transactions consisted of invoices greater than \$2,500 and cumulatively amounted to \$1,503,931. During our audit, NNSA also questioned whether NNSA or Skookum held title to the materials, equipment, and supplies that comprised the 281 transactions. Our review revealed that most of these transactions were for multiple materials/supplies that individually cost less than \$2,500 per item.¹² These items would have been either consumed during the performance of the contract or were parts that would have been affixed to the vehicles and become *de facto* Government property. Furthermore, NNSA's concerns were addressed in Contract 89233119CNA000027, which began on December 16, 2018. This new contract required all materials to be charged under a cost reimbursable CLIN, and the performance work statement and negotiation documents show that Skookum agreed to transfer title to NNSA for purchases under FFP CLIN 0007 on the prior contract.

Compliance with Contract Terms for Time-and-Materials Contract Line Item Numbers

A lack of contract clarity also resulted in concerns over pre-approvals on other CLINs. In the Hotline complaint, NNSA stated that it could not ascertain whether Skookum sought the CO/COR's approval for all transactions under Task Order DE-DT0008328's T&M CLIN 0004

¹¹ NNSA identified these costs when the CO requested cost detail for FFP CLIN 0007 after learning the CLIN had insufficient funds to pay the last two invoices. Although not required, Skookum complied with this request by providing the COR with unfettered access to Skookum's cost inventory system.

¹² For example, one transaction was an invoice of \$31,149.65 for 402 items including fuel tanks, aluminum wheels, lug nut covers, and drain gaskets. Other transactions included an invoice of \$5,365.52 for 61 items including oil cooler kits, radiator caps, and oil pressure switches and another invoice of \$3,535.71 for 9,640 items including bolts, screws, washers, and spring pins.

and T&M CLIN 0011, thereby displacing one of the CO/COR's responsibilities. In the complaint and in subsequent interviews, NNSA officials also stated that the contract terms for T&M CLIN 0004 and T&M CLIN 0011 required a pre-approval by the CO/COR for materials purchased. We reviewed Contract DE-NA0001745 and its modifications, Task Order DE-DT0008328 and its modifications, and the performance work statements under the contract. We did not identify any terms that required Skookum to obtain the CO/COR's pre-approval for materials purchased under the T&M CLINs. For example, the contract provision related to the approval of materials for T&M CLIN 0004 states, "Approved material cost is detailed in clause 52.212-4 Alternate 1 in accordance with FAR Part 12.301(b)(3)."

We reviewed the FAR clauses, referenced above, in the contract direction. According to FAR 12.301(b)(3), the applicable clause/provision to be included in this type of acquisition of commercial products or commercial services contract is FAR 52.212-4. In relation to materials, FAR 52.212-4, Alternate 1, does not include any provisions for the pre-approval of materials purchases. Instead, FAR 52.212-4, Alternate 1, states that payments for materials shall be in accordance with the terms and conditions of the agreement or invoice and the payments shall be made within 30 days of the submission of the invoice to the Government. In other words, approvals are done at the time of invoicing, after the purchase of materials.

In addition, the CO requested the Defense Contract Audit Agency (DCAA) perform a direct cost audit on the T&M CLINs, including 0004 and 0011. In April 2021, DCAA concluded the requested audit for T&M costs from September 2012 through December 15, 2018, and reported that Skookum's costs complied, in all material respects, with contract terms and 2 CFR 200, Subpart E, Cost Principles. We also found that the CO and COR reviewed and approved transactions under the T&M CLINs before invoices were paid. Since there were no pre-approval terms in the contract for material purchases, and since DCAA reported no questionable T&M costs, we did not substantiate the allegations that: (1) Skookum did not comply with the contract terms and conditions for the T&M CLINs, and (2) the CO/COR were displaced from making decisions on material purchases since they reviewed and approved the invoices before payment.

Depreciation Costs

In the Hotline complaint, NNSA stated that Skookum purchased eight assets¹³ for use on the contract without the CO/COR's approval, and that it could not ascertain how Skookum paid for those assets. NNSA also stated that it would "not pay twice [for these assets] by paying depreciation costs." In addition, during an interview with NNSA discussing the Hotline complaint, NNSA requested (and we agreed) to determine whether the cost value for the eight assets was billed to NNSA and if the depreciation costs of \$81,875 that Skookum requested were reasonable.

We did not identify any wrongdoing by Skookum in the purchase or request for depreciation payments of the eight assets. According to FAR 31.205-11(a), "[D]epreciation on a contractor's plant, equipment, and other capital facilities is an allowable contract cost." In short, billing

¹³ The eight assets include two minivans, a cargo van, a tractor, two floor scrubbers, and two mowers. According to Skookum, the vehicles and tractor have a useful life of 7 years. The floor scrubbers and mowers have a useful life of 5 years.

depreciation for the use of assets is a standard business practice. Our review of the purchase documentation for the eight assets revealed that Skookum paid for the assets through its corporate cash account. Since the price of each of these assets exceeded the \$2,500 threshold, we reviewed all purchases above \$2,500 under FFP CLIN 0007 and the invoices under T&M CLIN 0004 and T&M CLIN 0011 during the periods of purchase. We determined that Skookum did not invoice NNSA for the purchase of these eight assets. Because these purchases were not charged to NNSA, they were not subject to the threshold requirement or current requirement that all purchases be pre-approved. In addition, DCAA's audit report did not identify any depreciation costs billed to any of the T&M CLINs. These assets were purchased between 2014 and 2018 during which depreciation costs were included in the agreed-upon price under Task Order DE-DT0008328's FFP CLIN 0007.

The contract terms under the current contract, 89233119CNA000027, did not include a FFP CLIN for materials and other direct costs and had no explicit language regarding the depreciation for the eight assets. Since NNSA continues to receive beneficial use of these assets that are used exclusively for OST contracted work, and since the assets were not fully depreciated at the termination of the prior contract, it is reasonable that NNSA would continue to pay Skookum for depreciation costs until the assets are fully depreciated. Therefore, we recalculated the depreciation of these assets using the straight-line method,¹⁴ and based on their purchase price, purchase date, and period of useful life, we determined that the depreciation amount of \$81,875 requested by Skookum was reasonable.

We did not substantiate NNSA's claims that either Skookum inappropriately purchased eight assets or charged NNSA twice for the assets. NNSA continues to receive beneficial use of the eight assets. Skookum's invoicing of depreciation costs is an allowable, allocable, and reasonable method for Skookum to recoup the costs of using these assets in performance of the contract.

RELATED MATTERS—NNSA'S MANAGEMENT OF SKOOKUM CONTRACTS

During this audit, we did not substantiate NNSA's allegations, but we found that the Hotline concerns could be attributed to poor contracting practices and management, including the inclusion of ambiguous contract language, and a failure to maintain a complete official contract file resulting in the loss of historical contract knowledge.

Contract language ambiguities have led to multiple, conflicting interpretations. We found that the contract did not clearly state the terms and purpose of the \$2,500 threshold. We found that the contract had no explicit terms that required Skookum to obtain the CO/COR's pre-approval for materials purchased. We also found that contract terms regarding depreciable assets were not stated clearly in either the old or the new contracts. These contract ambiguities and their conflicting interpretations contributed to NNSA's concerns in the Hotline complaint.

¹⁴ The straight-line method of depreciation deducts the cost of an asset, such as a vehicle or equipment, evenly across the asset's useful life. For instance, if the asset cost \$10,000 and its useful life was 5 years, you would deduct \$2,000 of depreciation for each of those 5 years.

The contract language ambiguities were made worse by a loss of historical knowledge. The audit team received documents revealing multiple negotiations between the original CO and Skookum regarding the purpose of the threshold and the agreement that this threshold applied to item cost. However, none of these documents were included in the contract file, and the contract file did not include any supporting documentation that would assist any subsequent CO, or other user of the contract file, in understanding all terms of the contract. We also found that the contract file did not contain any agreement or discussion between the original CO and Skookum regarding depreciation. When questions came up regarding the partially depreciated eight assets, the lack of information in the contract file required the current CO to ask Skookum to provide documentation for depreciation authorizations, but the incomplete contract file also prevented the CO from verifying any information Skookum provided on this matter.

The current CO told us that communications between COs/CORs and Skookum may be included in the official contract file in STRIPES,¹⁵ in a shared drive, or in an individual's email folder. However, the official contract file was incomplete and lacked historical documentation related to the negotiations. The current CO explained that, as of July 2022, emails older than 7 years were deleted by the Department's implementation of a capstone approach to records management. Therefore, emails during the 2014 negotiations of FFP CLIN 0007 would have been deleted from an individual's email file unless captured elsewhere. According to the *STRIPES Mandatory Use Policy*, information and documentation such as agreements on the threshold or depreciation should have been maintained in the official contract file as required supporting documentation, which would have provided the current CO with the necessary background knowledge on these matters. If the agreements between the original CO and Skookum were documented in the contract file, some of the concerns and misunderstandings between the current contract officials and Skookum may not have occurred.

In addition to the contract ambiguities, loss of historical contract knowledge, and incomplete contract files, we identified other concerns with NNSA's overall contract management. We found:

- An inconsistency between the final ceiling value for FFP CLIN 0007 and the total cost of work performed during the contract period.
- Inconsistencies between Task Order DE-DT0008328's extension modifications and the modifications applied to the other active task orders during the same period. Those task orders had monthly rates clearly stated for their respective FFP CLINs; had additional modifications to add funding; and their final modifications, which included their final funding, were completed 3 weeks before the end of performance. Task Order DE-DT0008328 was not afforded the same considerations.
- Contract officials managed the FFP CLINs as a cost reimbursable contract. For example, in response to a question regarding FFP CLIN 0007's funding, an NNSA contracting official stated, "Considering the FFP ODC CLIN was incrementally funded, [this] shows

¹⁵ According to the Department's Acquisition Letter on *STRIPES Mandatory Use Policy*, STRIPES functions as the Department's contract writing, award, and administration system as well as the primary document repository for these instruments, and any other required supporting documents.

the intent to utilize the CLIN more like a cost type reimbursable component, not as a performance based requirement.” In another example, a different NNSA contracting official asked Skookum if it would reduce the fixed price labor until Skookum filled vacant positions. These comments are contrary to the FFP CLINs’ specific terms and conditions.

- Task Order DE-DT0008328 started off with two distinct limitation of funds clauses, one for the T&M CLINs and the other for the FFP CLIN. However, throughout the task order’s period of performance, we found that the modifications shifted from maintaining the two separate clauses to combining all CLINs’ funding under the single FFP limitation of funds clause. This shift contributed to confusion. Skookum stated it placed confidence in the funding specified in Modification 0034’s limitation of funds clause that indicated the funds available for payment would cover the work to be performed until December 15, 2018. However, the \$23,811,635 specified in this clause was the total amount available for the full task order, not the amount available only to FFP CLIN 0007, although the limitation of funds clause cited in Modification 0034 was applicable only to FFP CLINs.

Based on the issues identified, it is important that NNSA evaluate its contract management policies, procedures, and training to: (1) ensure that complete contract files and historical contract knowledge are maintained; (2) ensure that contracting officials understand contract types and standard business practices; and (3) ensure that contract terms are clear and do not lead to multiple interpretations.

IMPACT

NNSA communicated to Skookum, SourceAmerica, and AbilityOne that it no longer considered Skookum to be a trusted and reliable partner based on NNSA’s assumption that the cause of insufficient funds stemmed from Skookum overbilling the contract and NNSA’s subsequent review of FFP CLIN 0007’s cost records. As a result of NNSA’s concerns, the CO increased the administrative work on the current contract by increasing staff and scrutiny on materials purchases. For example, NNSA assigned four additional CORs to pre-approve all materials purchases, no matter the dollar value, and review and approve the associated monthly invoices. Additionally, NNSA sought a purchase exception to remove OST services from the AbilityOne Procurement List, so NNSA could seek a contract with an entity other than Skookum.

We found no evidence to substantiate the Hotline allegations. Instead, we found that the outstanding balance was primarily due to ambiguous contract terms, incomplete contract files, and a failure to properly align the FFP ceiling value with approved monthly expenses. We are recommending actions to address these issues. Moreover, our findings, coupled with the results of the DCAA audit regarding the T&M CLINs, lead us to recommend a reassessment of this contract’s risk to determine whether the continued need for additional staff and pre-approval of all materials purchases is in the best interest of the Government given the additional administrative burden required.

As these misunderstandings have taken years to resolve, both parties acknowledged strained working relations. This contract is part of the AbilityOne Program. As such, program policy regarding disputes states that a nonprofit agency, such as Skookum, and a contracting activity, such as NNSA, can receive assistance for resolution from both the appropriate central nonprofit agency, SourceAmerica, and the AbilityOne Committee.¹⁶ We reviewed communications between NNSA, SourceAmerica, and AbilityOne relating to this dispute but found the focus was not on resolving billing concerns. Instead, the focus was on NNSA acquiring a purchase exemption from the AbilityOne Program to allow NNSA to procure these services commercially. If Skookum continues work on this sole-source contract in the future, then an evaluation of contracting personnel assignments may also be necessary to improve the working partnership between the two entities. Skookum has not yet filed an official claim under the Contract Disputes Act. However, if this dispute persists, NNSA may be at risk for litigation due to the unresolved payments of FFP CLIN 0007 invoices and the unpaid depreciation costs.

RECOMMENDATIONS

We recommend that the NNSA Administrator direct the Deputy Administrator for Partnership and Acquisition Services, in coordination with the Deputy Administrator for Defense Programs, to:

1. Determine why the CO failed to ensure that final ceiling amounts were aligned with approved monthly expenses sufficient to cover the extended scope of work on Task Order DE-DT0008328 and implement a process to prevent recurrence of this situation in the future;
2. Validate contracting personnel receive complete and accurate refresher training of basic contract management to include contract type and standard business practices, and take other additional management actions deemed appropriate;
3. Evaluate whether new contracting officials should be assigned to oversee Skookum's contracts with the OST to facilitate and improve the working partnership;
4. Perform a risk assessment and determine appropriate contract oversight level on the T&M CLINs under Contract 89233119CNA000027;
5. Determine whether NNSA owes Skookum for work performed on Task Order DE-DT0008328's 2018 extensions;

¹⁶ Disputes between a nonprofit agency and a contracting activity arising out of matters covered by Part 51-5, *Contracting Requirements*, and Part 51-6, *Procurement Procedures*, of this chapter shall be resolved, where possible, by the contracting activity and the nonprofit agency, with assistance from the appropriate central nonprofit agency. Disputes which cannot be resolved by these parties shall be referred to the Committee for resolution. See 41 CFR § 51-6.15.

6. Determine whether NNSA owes Skookum for depreciation costs on Contract 89233119CNA000027; and
7. Evaluate procedures over contract documentation and communications to ensure contract files are complete and historical contract knowledge is maintained.

MANAGEMENT RESPONSE

Management concurred with Recommendations 1, 2, 3, 4 and 7. Management stated that NNSA will review the funding actions associated with CLIN 0007 and, if necessary, develop and implement process changes. NNSA will hold a feedback session with contracting personnel responsible for the administration of the Skookum contract to reinforce the contract management principles discussed in this report. NNSA will evaluate the current working environment with Skookum; determine whether any change in contracting personnel is appropriate; and whether changes in the level of oversight is warranted. In addition, NNSA will evaluate and update procedures for maintaining contract documentation and communication in the official contract file to ensure historical knowledge is maintained. All corrective actions are expected to be completed by March 31, 2025.

For Recommendations 5 and 6, NNSA declined to respond in its Management Decision, stating that the recommendations and underlying findings relate to issues that may be the subject of potential future claims under the Contract Disputes Act. NNSA will, however, monitor any future actions through quarterly tracking in the Departmental Audit Report Tracking System.

Management's comments are included in Appendix 4.

AUDITOR COMMENTS

Management's comments and corrective actions are generally responsive to our recommendations. As noted in management's comments, Recommendations 5 and 6 may be the subject of future litigation. As a result, the Office of Inspector General takes no position on NNSA's response to those two recommendations but will continue to monitor any future actions via the Departmental Audit Report Tracking System.

OBJECTIVE

We performed this audit to: (1) determine the validity of the allegation that Skookum Educational Programs' billing practices raised potential issues of fraud with clear examples of waste and abuse, and (2) identify and examine any related matters that came to our attention regarding contracts DE-NA0001745 and 89233119CNA000027.

SCOPE

The audit was performed from April 2023 through July 2024 at the National Nuclear Security Administration in Albuquerque, New Mexico, and the Office of Secure Transportation's Agent Operations Eastern Command Center in Oak Ridge, Tennessee. We reviewed relevant information from August 2012 through March 2023 pertaining to the two contracts between Skookum Educational Programs and the Office of Secure Transportation. The audit was conducted under Office of Inspector General project number A22LA019.

METHODOLOGY

To accomplish our audit objective, we:

- Reviewed applicable Federal laws and regulations, Department of Energy orders and guidance, and National Nuclear Security Administration policies and procedures related to contract management.
- Reviewed related contracts, contract modifications, performance work statements, invoices, contractor cost proposals, contract negotiation documents, and contractor purchasing reports.
- Conducted a site visit at the Office of Secure Transportation's Agent Operations Eastern Command Center in Oak Ridge, Tennessee.
- Interviewed complainant, and key current Federal and National Nuclear Security Administration officials.
- Interviewed contractor personnel.
- Obtained and reviewed emails concerning various aspects of the audit.
- Judgmentally selected and examined a sample of invoices for the contract line item numbers under Task Order DE-DT0008328. We reviewed the selected invoices to determine whether the invoices were approved by Contracting Officers/Contracting Officer's Representatives and whether the firm-fixed-price invoices were in accordance with negotiated payment schedules. Since the selection was based on a judgmental or nonstatistical sample, results and overall conclusions were limited to the items tested and could not be projected to the entire population.

Appendix 1: Objective, Scope, and Methodology

We conducted this allegation-based 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 the evidence obtained provides a reasonable basis for our findings and conclusions. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the internal control components and underlying principles significant to the audit objective. Specifically, we assessed control activities and the underlying principle of implementing policies and procedures, and we also assessed the monitoring component and the underlying principle of performing monitoring activities. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We assessed the reliability of the data elements needed to answer the audit objectives by: (1) reviewing source documents; (2) obtaining source documents from multiple sources; and (3) observing and obtaining the documents from the official files and systems. We determined that the data were sufficiently reliable for the purposes of this report.

Management officials waived an exit conference on September 24, 2024.

Appendix 2: Related Reports

Office of Inspector General

- Inspection Report on [*Procurement Administration and Human Reliability Program Revocations Within the Office of Secure Transportation*](#) (OAI-M-16-07, March 2016). Inspectors received an allegation that Office of Secure Transportation officials committed contracting irregularities. The inspection found that the allegations could not be substantiated but did find that an Interagency Agreement was not properly modified because the Contracting Officer's Representative did not fully satisfy their responsibilities and inform the Contracting Officer of relevant policy decisions that affected the Interagency Agreement. In turn, the Contracting Officer had oversight responsibilities for the Contracting Officer's Representative, and this oversight was not effectively implemented. The report found that control weaknesses in the procurement process could adversely affect the Office of Secure Transportation's mission.
- Special Report on [*Management Challenges at the Department of Energy – Fiscal Year 2020*](#) (DOE-OIG-20-09, November 2019). The report found that one management challenge was Contract Oversight. The Government Accountability Office has designated the Department of Energy's contract management as a high-risk area for over 30 years, and audit work by the Inspector General in prior years continues to identify weaknesses with contractor oversight and subcontract management.

Government Accountability Office

- Audit Report on [*Department of Energy: Use of Leading Practices Could Help Manage the Risk of Fraud and Other Improper Payments*](#) (GAO-17-235, March 2017). The report found that the Department's internal control program managed the risk of fraud and improper payments through, among other things, prepayment invoice reviews and post-payment audits. However, the report determined that: (1) the Department did not have a Department-wide invoice review policy or well-documented procedures; (2) the Department had no assurance that control activities were operating as intended; and (3) time constraints limited the effectiveness of invoice reviews.

Appendix 3: Further Details of the 2018 Extension Modifications

After review of Task Order DE-DT0008328 and its modifications and additional supporting documentation, we found the following:

- Modification 0032 extended the task order for 3 months with a new period of performance ending November 15, 2018. This modification contained no payment schedule for firm-fixed-price (FFP) contract line item number (CLIN) 0007, nor did it mention the cost added to FFP CLIN 0007's total fixed price to account for the additional 3 months of work. Modification 0032 cited Federal Acquisition Regulation (FAR) 52.217-8, Option to Extend Services, which states, "[T]he Government may require continued performance of any services within the limits and at the rates specified in the contract." We inquired why the extension modification did not include payment schedules for FFP CLIN 0007, and the Contracting Officer (CO) told us that no payment schedule was needed as the cited clause in FAR 52.217-8 states that the services would continue at the prior rate. The prior rate established for FFP CLIN 0007 for its final year was \$424,371 per month. Therefore, the total cost of a 3-month extension at a "continued rate" would equal \$1,273,114 (\$424,371.17 multiplied by 3 months). For work performed under FFP CLIN 0007 through August 15, 2018, Skookum Educational Programs (Skookum) invoiced and for which the National Nuclear Security Administration (NNSA) paid \$18,333,395. The additional 3-month extension of FFP CLIN 0007 would therefore require a ceiling value of at least \$19,606,509 (\$18,333,395 cost of work through August 15, 2018, plus \$1,273,114 for the 3-month extension) to cover the full scope of work contracted. The ceiling value of FFP CLIN 0007 under Modification 0032 was increased to \$19,274,355, which was \$332,154 less than the \$19,606,509 ceiling value needed to cover the 3-month extension.

We reviewed the purchase requisition associated with Modification 0032 that included requested and approved funding of \$1,273,113 to cover the 3-month extension for FFP CLIN 0007. This purchase requisition shows that the CO expected invoices during the 2018 extension to be at the \$424,371 monthly rate. However, the amount added to FFP CLIN 0007's ceiling value in Modification 0032 did not equal the \$1,273,113 requested in the purchase requisition, and as stated above, the ceiling value total for FFP CLIN 0007 in this modification was insufficient to cover the 3 months of additional work at the "continued rate."

- In November 2018, NNSA issued Modification 0033 to further extend the task order 1 month until December 15, 2018, while negotiations on the new contract continued between NNSA and Skookum. This modification contained no payment schedule for FFP CLIN 0007, no mention of the cost added to FFP CLIN 0007's total fixed price to account for the additional month of work, and no mention of an updated ceiling value. Modification 0033 also cited FAR 52.217-8, Option to Extend Services, which, as noted above, continues the previously agreed upon rate of \$424,371 per month; therefore, the total cost of this 1-month extension would be \$424,371. To cover this additional extension, the ceiling value of FFP CLIN 0007 would need to be \$20,030,880 (\$19,606,509 cost of work through November 15, 2018, plus \$424,371 for the 1-month extension through December 15, 2018).

Appendix 3: Further Details of the 2018 Extension Modifications

However, the ceiling value of FFP CLIN 0007 remained unchanged from \$19,274,355 in Modification 0033. Therefore, the ceiling value was \$756,525 less than the \$20,030,880 needed to cover the full 4-month extension.

Communication between the CO and Skookum during the extension period showed that both parties agreed on FFP CLIN 0007's remaining funding balance after the payment of the September 2018 invoice, and that both parties agreed on the cost of the October, November, and December 1–15, 2018, invoices. Although the purchase requisition and communications between NNSA and Skookum corroborated an expected monthly invoice rate of \$424,371, the extension modifications for Task Order DE-DT0008328 did not include payment schedules for FFP CLIN 0007. The CO explained to us that no payment schedule was needed as the cited clause in FAR 52.217-8 states that the services would continue at the prior rate (i.e., \$424,371 per month). In contrast, the other active task orders' modifications contained payment schedules for their respective FFP CLINs.

- Modification 0034, the final modification to address FFP CLIN 0007, increased FFP CLIN 0007's ceiling to \$19,760,099 and contained no payment schedule. Skookum's invoices for FFP CLIN 0007 totaled \$20,030,880. This amount is equal to the \$18,333,395 that NNSA was invoiced and paid for the period of performance from October 1, 2014, through August 15, 2018, plus \$1,697,485 for 4 months of additional work (through December 15, 2018) at a rate of \$424,371 per month. Modification 0034's ceiling value of \$19,760,099 was not adequate to cover the scope of work added by prior Modification 0032 and Modification 0033; therefore, the ceiling value was \$270,781 less than the cost of work NNSA contracted per the agreement of FAR 52.217-8 included in the previous two modifications.

Appendix 4: Management Comments



Department of Energy
Under Secretary for Nuclear Security
Administrator, National Nuclear Security Administration
Washington, DC 20585



September 20, 2024

MEMORANDUM FOR TERI L. DONALDSON
INSPECTOR GENERAL
OFFICE OF THE INSPECTOR GENERAL

FROM:

JILL HRUBY

A handwritten signature in black ink, appearing to read "Jill H", is written over the printed name "JILL HRUBY".

SUBJECT:

Response to the Office of Inspector General (OIG) Draft Report
*Opportunities Exist to Improve NNSA's Contract Administration and
Oversight of Skookum Educational Programs (A22LA019)*

Thank you for the opportunity to review and comment on the subject draft report. The National Nuclear Security Administration (NNSA) values our partnerships with small businesses and appreciates the OIG's independent review.

The attached management decisions outlines actions planned to address the report's recommendations. If you have any questions regarding this response, please contact Mr. Dean Childs, Director, Audits and Internal Affairs, at (202) 836-3327.

Attachment

Attachment

NATIONAL NUCLEAR SECURITY ADMINISTRATION
Management Decision

Opportunities Exist to Improve NNSA's Contract Administration and Oversight of Skookum Educational Programs (A22LA019)

The Office of Inspector General (OIG) recommended that the National Nuclear Security Administration (NNSA):

Recommendation 1: Determine why the CO failed to ensure that final ceiling amounts were aligned with approved monthly expenses sufficient to cover the extended scope of work on Task Order DE-DT0008328 and implement a process to prevent recurrence of this situation in the future.

Management Response: Concur. While the NNSA contracting officer ensured that the final ceiling amounts for the master Indefinite Delivery/Indefinite Quantity (IDIQ) contract DE-NA0001745 aligned with the master IDIQ contract value, we acknowledge the potential discrepancy on the single Contract Line Item (CLIN) discussed in this report. Specifically, with respect to the firm fixed price CLIN 0007 on Task Order DE-DT0008328 issued against the master IDIQ contract, NNSA will review the information presented in this report and the funding actions associated with CLIN 0007. NNSA will evaluate whether alternative processes would have been available to address the funding concerns identified in the report and, if necessary, develop and implement process changes in the future. In addition, it should be noted that NNSA's actions with respect to Recommendations 2, 4, and 7, will help improve contract administration, including ensuring alignment between funding ceilings and the amount of work to be performed under the contract. The estimated completion date for these actions is March 31, 2025.

Recommendation 2: Validate contracting personnel receive complete and accurate refresher training of basic contract management to include contract type and standard business practices, and take other additional management actions deemed appropriate.

Management Response: Concur. While contracting personnel receive recurring contract management training through monthly Procurement Excellent Trainings and are required to complete 100 hours of contracting based training within a 2-year period, we agree that refresher training on the issues identified by the OIG is appropriate. NNSA's Office of Partnership and Acquisition Services (NA-PAS) will hold a feedback session with contracting personnel responsible for administration of the Skookum contract to reinforce the contract management principles discussed in this report. The estimated completion date is December 31, 2024.

Recommendation 3: Evaluate whether new contracting officials should be assigned to oversee Skookum's contracts with OST to facilitate and improve the working partnership.

Appendix 4: Management Comments

Attachment

Management Response: Concur. NA-PAS will evaluate the current working environment with Skookum, considering the information provided in this report, and determine whether any change in contracting personnel is appropriate. The estimated completion date for this action is December 31, 2024.

Recommendation 4: Perform a risk assessment and determine appropriate contract oversight level on the T&M CLINs under Contract 89233119CNA000027.

Management Response: Concur. NA-PAS will conduct and document a risk assessment, considering the information presented in this report, and determine whether any changes in the level of oversight is warranted. The estimated completion date for this action is December 31, 2024.

Recommendation 5: Determine whether NNSA owes Skookum for work performed on Task Order DE-DT0008328's 2018 extensions.

Management Response: This recommendation and the underlying finding relate to an issue that may be the subject of a potential future claim under the Contract Disputes Act, and it is therefore inappropriate for NNSA to respond in this Management Decision. NNSA will, however, monitor any future actions through quarterly tracking in the Departmental Audit Report Tracking System (DARTS).

Recommendation 6: Determine whether NNSA owes Skookum for depreciation costs on Contract 89233119CNA000027.

Management Response: This recommendation and the underlying finding relate to an issue that may be the subject of a potential future claim under the Contract Disputes Act, and it is therefore inappropriate for NNSA to respond in this Management Decision. NNSA will, however, monitor any future actions through quarterly tracking in the DARTS.

Recommendation 7: Evaluate procedures over contract documentation and communications to ensure contract files are complete and historical contract knowledge is maintained.

Management Response: Concur. NA-PAS will evaluate and update procedures as necessary for maintaining contract documentation, official communications, and correspondence, in the official contract file to ensure historical knowledge is maintained. The expected completion date for these actions is March 31, 2025.

FEEDBACK

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Office of Inspector General (IG-12)
Department of Energy
Washington, DC 20585

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