



Department of Energy  
 Carlsbad Field Office  
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DEC 12 2014



Mr. Jon E. Hoff, Manager  
 Quality Assurance  
 Nuclear Waste Partnership LLC  
 P.O. Box 2078  
 Carlsbad, NM 88221-2078

Subject: Carlsbad Field Office Audit Report A-15-10 of NWP Procurement  
 (Supporting Recovery Activities)

Dear Mr. Hoff:

Carlsbad Field Office Audit A-15-10 was performed November 18-20, 2014 to evaluate Nuclear Waste Partnership LLC Procurement (Supporting Recovery Activities). The details of the audit and conclusions of the audit team are contained in the enclosed audit report. Four concerns were identified during the audit, as described in the report.

Two Corrective Action Reports (CARs 15-014 and 15-015) addressing conditions adverse to quality identified during the audit have been transmitted under separate cover.

The audit team concluded that overall, the activities evaluated are adequate, satisfactorily implemented, and effective in all areas except as documented in the audit report.

If you have any questions concerning the audit, please contact me at (575) 234-7476.

Sincerely,

  
 Michael R. Brown, Director  
 CBFO Quality Assurance Division

Enclosure

cc: w/enclosure			
D. Gadbury, CBFO	ED	J. Kieling, NMED	ED
D. Miehl, CBFO	ED	B. Tongate, NMED	ED
M. Navarrete, CBFO	ED	S. Holmes, NMED	ED
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S. Kennedy, NWP	ED	C. Smith, NMED	ED
B. Allen, NWP	ED	V. Daub, CTAC	ED
S. Punchios, NWP	ED	R. Allen, CTAC	ED
S. Escareno-Soto, NWP	ED	B. Pace, CTAC	ED
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U.S. DEPARTMENT OF ENERGY  
CARLSBAD FIELD OFFICE

AUDIT REPORT OF  
NWP PROCUREMENT (SUPPORTING RECOVERY ACTIVITIES)

CARLSBAD, NEW MEXICO

AUDIT NUMBER A-15-10

November 18 – 20, 2014



Prepared by:



Charles L. Riggs, CTAC  
Audit Team Leader

Date:

12-9-14

Approved by:



Michael R. Brown, CBFO  
Director, Office of Quality Assurance

Date:

12/11/14

## 1.0 EXECUTIVE SUMMARY

The U.S. Department of Energy (DOE) Carlsbad Field Office (CBFO) conducted Audit A-15-10 to evaluate the adequacy, implementation, and effectiveness of activities associated with Nuclear Waste Partnership LLC (NWP) Procurement (Supporting Recovery Activities). This Phase I audit was performed primarily to evaluate the adequacy of the flow-down of requirements from the DOE Acquisition Regulations (DEAR), Federal Acquisition Regulations (FAR), applicable Code of Federal Regulations (CFRs), and applicable DOE Orders. The audit team determined that the requirements of these upper-tier documents were only applicable to NWP as passed on through the CBFO contract. Phase II will consist of a series of surveillances and/or audits to further evaluate implementation and effectiveness. The audit was performed November 18 – 20, 2014, at the Waste Isolation Pilot Plant (WIPP) and the Skeen-Whitlock Building in Carlsbad, New Mexico.

Two concerns were identified during the audit, resulting in the initiation of corrective action reports (CARs) 15-014 and 15-015. CAR 15-014 related to the absence of a documented training plan or policy in place for the procurement staff, and CAR 15-015 related to lack of current training documentation for an individual performing requisitions. As a result of the additional two concerns, the audit team offered two Recommendations for NWP management consideration. The CARs and Recommendations are described in detail in section 6.0.

The audit team concluded that the NWP *Quality Assurance Program Description* is adequate relative to the flow-down of requirements of the American Society of Mechanical Engineers Nuclear Quality Assurance document NQA-1-1989, and upper-tier procurement documents. The associated NWP implementing procedures are also adequate relative to the flow-down of requirements from the NWP *Quality Assurance Program Description*. The audit team concluded that overall, except for the CARs and Recommendations identified in this report, the NWP activities evaluated are satisfactorily implemented and effective in achieving the desired results for those areas examined.

## 2.0 SCOPE

The audit evaluated NWP compliance with the current CBFO-approved contractor procurement system and all applicable governing documents. This included verifying implementation of the contractor's approved procurement system based on appraisal criterion established by CBFO. Purchase orders selected for review were files supporting recovery activities.

The audit also evaluated and verified the implementation and effectiveness of the implementing procedures and applicable sections of the CBFO *Quality Assurance Program Document* (QAPD) and the NWP *Quality Assurance Program Description* for the activities being audited.

### 3.0 AUDIT TEAM AND OBSERVERS

Martin Navarrete	Management Representative, CBFO
Charles Riggs	Audit Team Leader, CBFO Technical Assistance Contractor (CTAC)
Harley Kirschenmann	Auditor, CTAC
Randall Allen	Auditor, CTAC
Bob Prentiss	Procurement Specialist, CTAC

### 4.0 AUDIT PARTICIPANTS

A pre-audit conference was held in the Skeen-Whitlock Building on November 18, 2014. The post-audit conference was held in the Skeen-Whitlock Building on November 20, 2014. Attachment 1 identifies attendees at these conferences and personnel contacted during the audit.

### 5.0 AUDIT RESULTS

#### 5.1 Program Adequacy, Implementation, and Effectiveness

The audit team evaluated the NWP activities associated with the Procurement (Supporting Recovery Activities) for compliance with the requirements of NQA-1-1989. Attachment 2 lists the criteria used as the basis for the audit, and the implementing procedures included in the scope of the audit.

The audit team concluded that overall, the NWP *Quality Assurance Program Description* is adequate relative to the flow-down of requirements of NQA-1-1989 and the upper-tier procurement documents. The associated NWP implementing procedures are also adequate relative to the flow-down of requirements from the CBFO QAPD. The audit team concluded that overall, except for the CARs identified in this report, the NWP activities evaluated are satisfactorily implemented and effective for those areas assessed during the audit.

#### 5.2 NWP Procurement Program Activities

The evaluation of the NWP Procurement system included preparation of checklists, personnel interviews, and document reviews to evaluate the adequacy of implementation for Recovery Project procurements. The audit team identified the following areas for verification:

1. Approval of the NWP procurement system by CBFO
2. Implementation of the NWP procurement system as based on CBFO appraisal criteria
3. Implementation of applicable procedures governing procurement activities
4. Adequacy of the flow-down of CBFO QAPD procurement requirements to the NWP *Quality Assurance Program Description*.

The audit team verified that flow-down requirements from DEAR 970.44, *Management and Operating Contractor Purchasing*, amended 7/22/09, DOE O 413.3B, *Program and Project Management for the Acquisition of Capital Assets*, and DOE O 430.1B, *Real Property Asset Management*, were adequately addressed by NWP. The team also verified that the procurement requirements documented in the CBFO QAPD, DOE/CBFO-94-1012, Rev. 11, were adequately included in the NWP *Quality Assurance Program Description*, Rev. 34, and NWP implementing procedures. The areas evaluated are described in the following subsections, along with the evaluation results.

### **5.2.1 Purchasing System (DEAR 970)**

The audit team reviewed DEAR 970.44, *Management and Operating Contractor Purchasing*, amended 7/22/09, which requires the management and operating (M&O) contractor to maintain written descriptions of its individual purchasing systems and methods and further requires that, upon award or extension of the contract, the entire written description be submitted to the contracting officer for review and acceptance.

Procurement Evaluation and Reengineering Team (PERT) assessments are performed by CBFO approximately every three years to evaluate the M&O's purchasing system, including policies, internal controls, procedures and organizational structure.

The audit team verified that the last CBFO PERT assessment of the NWP purchasing system was conducted in October 2012, and documented in a letter dated March 6, 2013, from D. Snow (DOE CBFO) to M. Gonzales (NWP), subject: Contract DE-EM 0001971, Nuclear Waste Partnership LLC. The PERT assessment report is attached to the letter. Although the PERT team scored the NWP as acceptable in nine areas reviewed, the team noted nine weaknesses and six observations within those areas that were to be addressed.

A response from NWP to CBFO was provided via letter dated April 5, 2013, from M. Gonzales (NWP) to D. Snow (DOE CBFO), subject: Procurement Evaluation and Reengineering Team Assessment in October 2012 under Prime Contract DE-0001971. The letter contains the NWP response to the nine weaknesses and six observations.

One observation identified during the PERT assessment was that there is no training plan or policy in place for procurement staff and an annual training plan needs to be developed. This issue was independently identified by the audit team during Audit A-15-10, and resulted in CBFO CAR 15-014 (see section 6.1).

The audit team reviewed the individual corrective action responses to the PERT assessment findings and concluded that some were not completed. For example, the response to Weakness 6 committed to a revision of Procedure 15-PC3609, *Preparation of Purchase Requisitions*. This revision has not yet been performed. In addition, the corrective action for Observation 1 (annual training plan) was provided in a response to CBFO, but no corrective action has been taken.

The audit team was also made aware that a review of the individual corrective action responses to the October 2012 PERT assessment was included in CBFO Surveillance S-14-09, conducted in January 2014. The surveillance results indicated that three of the nine PERT-identified weaknesses had not been addressed, and that only one of the six corrective actions submitted in response to PERT observations selected by CBFO has been completed.

A Recommendation was developed by the audit team to address the lack of timely corrective action to the PERT-identified weaknesses and observations (see Recommendation 2 in section 6.4).

The audit team reviewed NWP Balanced Score Card (BSC) self-assessments for fiscal years 2011 and 2012 to ensure that periodic appraisals of the contractor's management of all facets of the purchasing function, including compliance with the contractor's approved system and methods, are performed by the contracting officer. This review verified that periodic appraisals of the NWP Purchasing System are performed by NWP participation in the BCS measurement and performance management system. The score cards identify the Core Performance Measures for each fiscal year. The BCS plans were developed based on the DOE's model for the NWP Purchasing System, and reflect the core measures identified by the DOE.

The DEAR requirements for NWP Procurement were flowed down to NWP Management Policy 1.34, *NWP Contracts and Procurement Program*, Rev. 5, Effective Date, 12/04/2012. The audit team identified the following areas contained in Management Policy 1.34 for verification:

1. Procurement Manager guidance and instruction to Procurement Services personnel
2. Centralized master file for prime contract and all applicable documents
3. CBFO contracting officer approval of NWP Procurement instructions
4. DOE-approved system to control affiliate procurement actions

The audit team verified that items 2 through 4 above were satisfactory. Item 1, addressing guidance and instruction provided by the Procurement Manager to Procurement Services personnel, was found to be unsatisfactory. NWP Procurement does not maintain a written description of its training program to methodically train new and/or existing purchasing personnel as referenced in DEAR 970.4401-1, (b)(1). This issue was identified in the PERT review and independently identified by the A-15-10 audit team, and resulted in CBFO CAR 15-014.

### **5.2.2 Preparation of Purchase Requisitions**

The audit team developed checklists, conducted interviews, and reviewed documentation to evaluate the process for preparing Purchase Requisitions in accordance with NWP procedure WP 15-3609, Rev. 29, *Preparation of Purchase Requisitions*.

Eight Purchase Requisitions/Purchase Orders (PR/POs) were randomly selected for review from the population of Recovery Project procurements. Four quality-related and four non-quality-related PR/POs were identified:

Quality Related PR/POs:

PO A502992, URS Corp  
PO 503110, Spectra Tech, Radiation and Decontamination Tech Services  
PO 503477, Hall Machine & Welding, Inc., Skolnik 55-Gallon Drums  
PO 503789, Canberra Industries, Inc., Materials for Technical Equipment

Non-Quality Related PR/POs:

PO A50102, URS, SME for SMP Evaluation  
PO 502566, Capital Technologies, Inc., P6 Integration with IFMS  
PO 503186, NFT-EPD, R&D for Prototype and Work Space  
PO 503724, Hall Machine & Welding Inc., Paint and MSDS

The review of these PR/POs did not identify any issues with the description of the item or scope of work, including item name, supplier catalog title, page number, part number and technical information. The audit team verified that the inspection requirements were adequately identified in the PR/POs. The inspection requirements included performing the grading process, specifying the quality assurance and receipt inspection requirements, identifying NWP contacts for subcontractor assistance and material safety data sheet (MSDS) requirements for items brought on site.

The audit team verified that product or service technical requirements were identified/referenced, as applicable to the PR/PO. These included the specific part number or related design information, statement of work and attachments or references to codes, standards, approval request/variance request (AR/VR), and WIPP procedures. The appropriate Management Level (ML) or Quality Level (QL) was specified in the PR/POs. Management and Quality Assurance electronic approval signatures on the PRs demonstrated that each had performed the required reviews.

The audit team had some difficulty identifying the organizations that the electronic signatures represented and generated a concern resulting in a recommendation (see Recommendation 1 in section 6.4). The audit team was unable to verify current training for one of the requisitioners (see CAR 15-015 in section 6.1). No other concerns were identified for the preparation of purchase requisitions.

### **5.2.3 Solicitations and Awards**

The audit team reviewed the process for solicitations for awarding subcontracts/agreements in accordance with the requirements identified in NWP procedure WP 15-PC3605, Rev. 5, *Proposal, Competition, Identification, Selection, Evaluation, and Award*. Using checklists prepared prior to the audit, the team performed

document reviews and personnel interviews. Four quality-related Recovery Project procurements were selected for review:

- PO A502992, URS, Air Modeling Services, Contractor works to WIPP site requirements, no quality supplier listing is required
- PO 503110, Spectra Tech, Rad Con and Decontamination Technical Services, quality requirements are specified in Section 5 of the PO
- PO 503477, Hall Machine & Welding, Inc., Skolnik 55-gallon drums, quality requirements, including Quality Supplier Listing specified for distributor of Skolnik drums
- PO 503789, Canberra Industries, Inc., Materials for Technical Equipment, Solicitation and PO included Clause 100 identifying several quality requirements

The audit team verified that quality requirements were included in the solicitations and the resulting contracting document. All purchases were placed during the period June 16, 2014, to October 30, 2014. The audit team reviewed the Qualified Supplier List (QSL) for each of the suppliers awarded the procurements identified above. Each supplier was found to be qualified for the product/service provided at the address of the facility providing the item/service, effective on the date of the award. The audit team also verified that only suppliers on the QSL were awarded POs for QL 2 and ML 1 and ML 2 designated procurements.

No concerns were identified by the audit team for the solicitations and awards process.

#### **5.2.4 Subcontract Technical Representative**

The audit team verified that a Subcontract Technical Representative (STR) had been assigned when appropriate and the assigned STR's name and subcontract information had been incorporated into the resultant subcontract, along with the applicable STR responsibilities associated with administering all technical requirements. The audit team also verified through review of training packages, including qualification cards, that a sample of five STRs had the required training required by WP 15PC3608, *Subcontract Technical Representative Responsibilities*.

The audit team reviewed, with an STR, Purchase Order/Subcontract DOE13-PO502644 for the purchase of 100 standard waste boxes (SWBs) to be delivered to Los Alamos National Laboratory. The package included a revision for an additional 40 SWBs.

No concerns were identified by the audit team for the STR process.

#### **5.2.5 Approval Request/Variation Request**

The audit team verified that technical reviews were performed and documented on Approval Request/Variation Request (AR/VR) forms as required by WP 15-PC3041, Rev. 10, *Approval/Variation Request Processing*. The team reviewed AR/VR forms and the AR/VR Transmittal Register on-line with an STR, and verified the AR/VR documents

were properly approved. The team confirmed that document packages were submitted to Records per procedural requirements. The two POs (416826 and 501060) examined in records with an AR/VR both contained the old revision of an EA15PS3041-1-0 form. The team also observed an AR/VR in an open PO (T5010058) that contained the current EA15PC3041-2-0 form.

No concerns were identified by the audit team for the AR/VR process.

### **5.2.6 Credit Card Purchases**

The audit team interviewed the Credit Card Program Administrator and verified that a list of current authorized Purchase Card (P-Card) holders is maintained as required by WP 15-PC3042, Rev. 11, *Credit Card Purchases*. The list identifies each P-Card holder's organization, single procurement dollar limit, and maximum credit limit. The audit team verified the training and qualification of a sample of P-Card holders.

The audit team verified that P-Card holders maintain a list of suppliers and maintain files related to reconciliation of supplier transactions and credit card expenditures. The audit team reviewed P-Card holder lists and did not identify any P-Card purchases of QL 1 or QL 2 items.

The audit team reviewed P-Card holders' vendor lists and selected Barnes & Noble as a sample to verify proper use of the Credit Card New Supplier Approval Form required for placement of suppliers on the lists. The form and associated documentation were found to have been completed in accordance with procedural requirements. The team selected suppliers recently added to the P-Card holders' lists and verified proper initiation of the Credit Card New Supplier Approval Forms required for placement of suppliers on the lists.

The audit team verified that no purchases of restricted items have been requested and that P-Card holders were aware they were required to obtain authorization to purchase such items. The audit team verified that P-Card holders perform receipt of purchased items and sign off on invoices after verification of the items.

No concerns were identified by the audit team for the P-Card purchase process.

### **5.2.7 Quality Credit Card Purchases**

There are currently five Quality Credit Card (Q-Card) holders. The audit team verified that all were appointed by an approving official as required by WP 15-3044, Rev. 8, *Quality Credit Card Purchases*. The team also verified the Q-Card holders' training records and qualification cards were current and satisfactorily completed. The audit team verified that each Q-Card holder's organization, single procurement dollar limit, and maximum credit limit were identified.

The audit team verified that all purchases made were for permissible items and were placed with approved suppliers selected from the QSL. One procurement package, for specialty gasses obtained from Air Liquide, was reviewed to evaluate the full supplier selection, approval, and procurement process. Documentation supporting Q-Card purchases referenced an appropriate inspection plan. The audit team verified that receipt inspections were performed by the Q-Card holders and that Q-Card holders maintained a log of all Q-Card purchases.

No deficiencies requiring a nonconformance report were identified for any of the purchases reviewed.

No concerns were identified by the audit team for the Q-Card purchase process.

## **6.0 CARs, CDAs, OBSERVATIONS, AND RECOMMENDATIONS**

### **6.1 Corrective Action Reports**

Two CARs resulted from Audit A-15-10, as described below.

#### **CAR 15-014**

There is no documented system for assuring the indoctrination and/or training of Buyers performing purchasing activities affecting quality. This issue was also identified as an observation during the PERT assessment conducted in October 2012.

In addition, CBFO conducted Surveillance S-14-09 of the NWP PERT Assessment Response Review, January 21 – 24, 2014. The results of that surveillance identified that the item remained open. The item still remained open during Audit A-15-10.

#### **CAR 15-015**

The audit team could not verify that one of the requisitioners had completed required training course CON-008, Graded Approach to Purchase Requests.

### **6.2 Deficiencies Corrected During the Audit (CDA)**

A CDA is an isolated deficiency that does not require a root cause determination or actions to preclude recurrence. Correction of the deficiency can be verified prior to the end of the audit. Examples include one or two minor changes required to correct a procedure (isolated), one or two forms not signed or not dated (isolated), and one or two individuals that have not completed a reading assignment.

No deficiencies were identified that were corrected during the audit.

### **6.3 Observations**

An Observation is a condition that, if not controlled, could result in a condition adverse to quality. Once a determination is made, the audit team member, in conjunction with the Audit Team Leader, categorizes the condition appropriately.

No Observations were concerns identified during Audit A-15-10.

### **6.4 Recommendations**

A Recommendation is a suggestion that is directed toward identifying opportunities for improvement and enhancing methods of implementing requirements. Once a determination is made, the audit team member, in conjunction with the Audit Team Leader, categorizes the condition appropriately.

Two Recommendations were presented for management consideration as a result of Audit A-15-10.

#### Recommendation 1

Currently, the names of approvers designated to approve requisitions are listed on a page in the Integrated Financial Management System (IFMS) approval process; however, the department an approver represents does not automatically show up with the approver's name. The system allows any approver to add his/her respective organization, but most approvers do not identify their organizations. The audit team recommends that a default within IFMS be provided to automatically add an approver's organization, or require the approver to add his/her organization manually.

#### Recommendation 2

A review of the individual corrective action responses to the PERT Team assessment completed in October 2012 was performed in January 2014 during CBFO Surveillance S-14-09. Surveillance results identified that three of the nine PERT-identified weaknesses had not been addressed, and that only one of the six PERT observations selected by CBFO had been closed. The following recommendation is provided to address the lack of timely corrective action to the PERT-identified weaknesses and observations.

The audit team recommends that the Purchasing Department use one of the NWP formal corrective action tracking systems (e.g., WIPP Form or Commitment Tracking System) to more effectively manage the corrective action commitments resulting from internal and external audits/surveillances, including responses to DOE PERT assessments.

### **7.0 ATTACHMENTS**

Attachment 1: Personnel Contacted During the Audit

Attachment 2: CBFO Implementing Procedures and Documents Audited

**PERSONNEL CONTACTED DURING THE AUDIT**

<b>NAME</b>	<b>ORGANIZATION</b>	<b>PREAUDIT MEETING</b>	<b>CONTACTED DURING AUDIT</b>	<b>POSTAUDIT MEETING</b>
Allen, Bill	NWP, Integration Manager			X
Atwood, Alyce	TFE, Records		X	
Cannon, Val	NWP, Assurance Programs Manager	X		X
Dearing, Mary Ann	NWP, Training		X	
Edwards, Mark	NWP, Mgr. Proc. Services	X	X	X
Gonzales, Marty	NWP, Mgr. Prime Contract		X	
Harris, Jennifer	NWP, General Manager's Office		X	
Hester, Pamela J.	NWP, CFO			X
Kirby, Robin	NWP, Procurement Services		X	
Knox, Greg	CTAC, QA		X	
McCauslin, Susan	CBFO, Env. Prot. Spec.	X		
Miehls, Janet	NWP, Procurement Services		X	
Morrison, Robbie	NWP/CCP, PME		X	
Nesser, Cathy	NWP, QA		X	
Punchios, Sheri	NWP, QA		X	X
Ridenour, Priscilla	NWP/CCP, Support Services		X	
Sandate, Yoli	NWP, Procurement,		X	
Sensibaugh, Mike	NWP/CCP		X	
Walker, Mak	NWP, QA			X
West, Alisha	NWP, Finance		X	

**NWP Implementing Procedures and Documents Audited  
Audit A-15-10**

<u>Number</u>	<u>Revision</u>	<u>Title</u>
DEAR 970.44	7/22/09	Management and Operating Contractor Purchasing
DOE O 413.3B		Program and Project Management for the Acquisition of Capital Assets
DOE O 430.1B		Real Property Asset Management
DOE/CBFO-94-1012	11	CBFO Quality Assurance Program Document
MP 1.34	5	NWP Contracts and Procurement Program
WP 04-CO.01-1	3	Conduct of Operations Program – Operations Organization and Administration
WP 04-CO.01-4	3	Conduct of Operations Program - Communications
WP 08-PT.08	8	WIPP Centralized Procurement Program Plan
WP 13-1	34	Quality Assurance Program Description
WP 15-PC.01	2	NWP Cost Estimating Guide
WP 15-PC.02	0	NWP Work Authorization Process
WP 15-PC3041	1	Approval/Variation Request Processing
WP 15-PC3042	1	Credit Card Purchases
WP 15-PC3044	1	Quality Credit Card Purchases
WP 15-PC3045	0	Buy Back List
WP 15-PC3605	5	Proposal, Competition, Identification, Selection, Evaluation, and Award
WP 15-PC3608	6	Subcontract Technical Representative Responsibilities
WP 15-PC3609	28	Preparation of Purchase Requisitions