

**Lawrence Berkeley National Laboratory  
FY2014 Procurement System Evaluation Plan**



**LAWRENCE BERKELEY  
NATIONAL LABORATORY**

**FY 2014 Procurement System  
Evaluation Plan**

**October 31, 2013**

**Lawrence Berkeley National Laboratory  
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**Subcontract and Agreement Transactions**

REVIEW	FREQUENCY	REVIEWERS	UNIVERSE/SAMPLE	Reporting
Manager Supervisory Reviews (Pre-Award)	On-going throughout the year	Procurement Group Managers Under the Direction of the Procurement Subcontracts Manager	All pending written transactions exceeding subcontract administrators' signature authority	None
Contract Review Board (CRB) (Pre-Solicitation/Award)	On-going throughout the year	CRB Chair, Contract Review Board Team Members as Appointed by the Manager, Procurement and Property Management	Procurement solicitations and awards with an estimated value above \$1M (\$500K for Best Value purchases), all modifications that will increase the cumulative value of a subcontract to go over \$1M, certain transactions requiring prior DOE Contracting Officer approval, or other transactions because of complexity and risk, as specified in LBNL Procurement Standard Practice 4.9, <i>Contract Review Board</i>	Annual Report to the Department of Energy, Berkeley Site Office (DOE-BSO) and the University of California, Laboratory Management Office (UCLMO) covering transactions which underwent a CRB in Calendar Year 2013  Report Due: March 2014
Manager File Reviews (Post-Award)	Monthly	Procurement Managers	Written transactions over \$25K, <u>within</u> subcontract administrator's authority. At least 15% of applicable transactions are reviewed. At least one file per procurement specialist will be reviewed from the universe.	Annual report to DOE-BSO and UCLMO covering transactions awarded April 2013 – March 2014  Report Due: June 2014

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**FY 2014 SCHEDULE OF PROCUREMENT SELF-ASSESSMENT ACTIVITIES**

**Subcontract and Agreement Transactions**

REVIEW	FREQUENCY	REVIEWERS	UNIVERSE/SAMPLE	Reporting
Business Assurance Random Sample Reviews (Post-Award)  (1) Low Value Subcontracts (< \$150k) October 2012 – September 2013 transactions  (2) High Value Subcontracts (≥ \$150k) April 2013 – March 2014 transactions	Review will begin in November 2013     Review will begin in May 2014	Business Assurance	Random sample of written transactions awarded during the selected sample universe period. Stratified random sampling will be employed as needed.	Report to DOE and UCLMO due 30 days following completion of each review
Validation of Acquisition Savings (Post-Award)	Quarterly	Business Assurance	Transactions with cost savings during the review period. Transactions will be categorized by savings categories and include the top 10 transactions by dollar savings or 90% of savings in each category, whichever is higher.	Report retained in Business Assurance files
Other Optional Reviews	As needed	Business Assurance	As applicable	As determined

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**FY 2014 SCHEDULE OF PROCUREMENT SELF-ASSESSMENT ACTIVITIES**

**Procurement Card Transactions**

REVIEW	FREQUENCY	REVIEWERS	UNIVERSE/SAMPLE	REPORTING
Transaction and Order Detail Summary Review	Weekly	Service Center Purchase Card Coordinator or Service Center Lead	A random sample of transactions from the previous week	The summary is reviewed to check for unusual merchants, incorrect charges (i.e. sales tax), and restricted items. If sales tax is identified, the cardholder is alerted for resolution. If an unusual merchant is noticed, investigation begins to check for possible fraud.
Split Order Query Review	Weekly	Service Center Purchase Card Coordinator or Service Center Lead	All transactions during a selected period of the previous week	If split orders are identified, it is brought to the attention of the Service Center Manager for corrective action
Review of Transaction Summary Posted Report	Monthly	Service Center Purchase Card Coordinator or Service Center Lead	Stratified Random Sample of transactions during the selected period of the previous month	A report is issued to Business Assurance Group each month listing necessary corrective actions and follow-up notification of corrective action closure
Special/Miscellaneous Reviews (As Scheduled)	As needed	As determined	Transactions as directed/ requested	Any questionable transaction(s) found during the daily, weekly, or monthly review process may require further investigation, which may include a desk audit of recent cardholder transactions

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**PROCUREMENT SYSTEM EVALUATION PROGRAM**

**PURPOSE**

The purpose of Berkeley Laboratory's (Berkeley Lab) Procurement System Evaluation Program is to measure the effectiveness of the Laboratory's procurement system and its internal controls; ensure its compliance with the provisions of Prime Contract 31, applicable laws, regulations, and other requirements; assess trends to determine if there are systemic deficiencies within the Laboratory's Procurement System; identify best practices; assist in evaluating personnel performance; and identify opportunities for training and staff development.

The FY 2014 procurement system evaluation is intended to be a comprehensive program, providing assessments and measurements applicable to the Department of Energy's (DOE) approval of the Laboratory's procurement system and the Laboratory's Performance Evaluation and Measurement Plan (PEMP).

The comments, recommendations, findings, or resolutions of the DOE, Office of the Inspector General (OIG), Government Accountability Office (GAO), peer reviews, and any internal Laboratory reports, which are pertinent to procurement activities, were taken into account in the planning of the assessments to be conducted in FY 2014.

**SCOPE**

The FY 2014 self-assessment efforts will focus on opportunities for process improvement and resolution of procurement system deficiencies. Statistical sampling will be employed when it will provide both a cost benefit and assurance of reliability, commensurate with the specific assessment area.

The self-assessments will cover various types and categories of acquisitions and contractual activities performed by Laboratory Procurement personnel, including ongoing procurement card transaction analyses. The self-assessment reviews are identified in the Fiscal Year 2014 schedule of Self-Assessment Reviews provided at the beginning of this Plan.

Reviews will be conducted based on self-assessment criteria designed to assess compliance with Prime Contract 31 requirements, policies and procedures approved by DOE, and other applicable requirements. The following major elements of the procurement system will be covered in self-assessment activities:

- Approvals and Reviews
- Source Selection
- Pricing Methodology
- Subcontract Quality
- File Documentation
- Subcontract Administration
- Procurement Data System Entry Coding

The procurement system evaluation will be accomplished by conducting risk-based self-assessments of procurement subcontract and agreement transactions, as well as the purchase card transactions of the Laboratory's Procurement Service Center and Division procurement card holders. Self-assessment methods that are appropriate, efficient, and effective for the level of risk will be applied. This Evaluation Plan describes how the Laboratory's Procurement Department will perform these self-assessments.

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Self-assessments take the form of documented system and/or purchase transaction reviews that involve assessing manual and electronic files, records, and reports, and conducting interviews of appropriate personnel. Transaction reviews will be documented and summarized on transaction review work sheets, topical area checklists, and questionnaires for subcontracts, agreements, and procurement card transactions.

Changes in regulations or contractual requirements, funding decreases, or new initiatives may require modifications to the self-assessments. Accordingly, when such changes occur, concurrence among all stakeholders (Department of Energy [DOE] and University of California Laboratory Management Office [UCLMO]) will be obtained, as appropriate, prior to any self-assessment modifications.

### **REVIEW DESCRIPTIONS**

All self-assessment activities will be performed under the direction of Berkeley Laboratory's Procurement and Property Manager. The Business Assurance Manager will be responsible for the coordination and execution of all self-assessment functions. Since one of the elements of a credible performance measurement system is the level of competency, independence, and objectivity of those assessing the operation of the systems, the self-assessments may be supported by:

- DOE Validation
- Laboratory Internal Audits or Reviews
- Procurement Evaluation and Reengineering Team (PERT) Peer Reviews
- Independent Third Party validation, with prior DOE concurrence

Both pre-award and post-award reviews will be performed on the written subcontract and agreement transactions.

#### **Procurement Pre-Award Reviews**

##### ***Manager Supervisory Reviews***

Procurement Group Managers will review transactions prior to award for compliance with the major elements of the procurement system, as applicable, listed above under *Scope*.

##### ***Contract Review Board (CRB)***

Pre-solicitation/award CRB reviews will be conducted as described in Standard Practice 4.9, *Contract Review Board*.

CRB Minutes will be prepared to provide a complete record of the comments and recommendations made at the meeting. The procurement specialist shall resolve all comments raised by the CRB, prepare the revised documents, and present them to the CRB Chairperson for final review.

As part of the pre-award review function, comments resulting from CRB reviews conducted during Calendar Year 2013 will be reviewed for potential system improvements and employee training needs. A summary report will be submitted to the DOE Contracting Officer and UCLMO during March 2014 on whether any systemic improvements or employee training needs were identified and, if so, the actions taken.

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**Procurement Post-Award Reviews**

Post-award reviews will be conducted on transactions through random sample, stratified random sample, and judgmental sample reviews as follows.

***Procurement Card Transaction Review***

A sample of Procurement Service Center and Division procurement card transactions selected from a designated universe of transactions (such as the prior month) will be reviewed. A random sample will be selected with possible additions to ensure that there is a representative sample from the universe of Procurement and Division purchase card transactions to include all Procurement cardholders. Sampling techniques recommended by Internal Audit Services will be used to determine the transactions to review.

Transactions will be reviewed by the Service Center Lead or Service Center Purchase Card Coordinator against the criteria established in the Procurement Card Transaction Review Worksheet/Questionnaire. In addition, Post Activity Report reviews will be conducted for transactions made during the previous week.

Observations resulting from the Stratified Random Sample of Procurement Service Center and Division procurement card transaction reviews will be presented to the Business Assurance Group on a monthly basis.

All corrective actions for significant findings (i.e., other than isolated, low risk deficiencies that are non-process related) will be documented, tracked, and validated, as appropriate. Corrective actions and resolutions will be presented in reports to purchase card holders and the Business Assurance Group. Quarterly Balanced Scorecard Reports submitted to the DOE Contracting Officer and UCLMO will include a summary of those reviews and the related status of corrective actions.

***Manager File Reviews***

The major elements of the procurement system, listed above under *Scope*, will be assessed by the reviewers. Findings and observations will be recorded by the reviewers. Corrective action will be taken as appropriate.

***Business Assurance Random Sample Reviews***

Two random sample post-award reviews are planned for FY 2014:

- **Low Value Subcontracts:** Procurement will perform a review of a random sample of Laboratory subcontracts with a value of \$150,000 or less. The sample will be selected from new subcontracts awarded during the period October 1, 2012 – September 30, 2013. The review will be started in November 2013. The sample universe will exclude releases against contract labor subcontracts, procurement card transactions, eBuy transactions, Intra-University transactions (IUTs), NIH Consortium Agreements, Federal and DOE Contractor Orders, and real property lease agreements.
  
- **High Value Subcontracts:** Procurement will perform a review of a random sample of Laboratory subcontracts or modifications with a value more than \$150,000. The sample will be selected from new subcontracts awarded during the period April 1, 2013 – March 31, 2014. The review will be started in May 2014. The sample universe will exclude releases

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against contract labor subcontracts, Intra-University transactions (IUTs), NIH Consortium Agreements, Federal and DOE Contractor Orders, real property lease agreements, and actions subjected to Contract Review Board (CRB) reviews.

Standard self-assessment transaction review checklists will be used to identify the applicable requirements of the transactions, from receipt of the purchase request through solicitation, award, administration, and close-out, as appropriate.

Prior to each random sample review, an individual Self-Assessment Plan/Agenda will be prepared by the Business Assurance Manager, which will include the scope of the assessment and a copy of the transaction review checklist that will be used for the evaluation. The Plan/Agenda will be approved by the Procurement and Property Manager and distributed to the proposed Self-Assessment Team reviewers, the DOE Contracting Officer, and UCLMO.

The major elements of the procurement system, listed under *Scope* above, will be assessed.

**File Scoring:** Point deductions will be assigned to each file from a 100 point base, in relation to the seriousness of the findings relative to the value and type of transaction as follows.

- **Significant Risk (50 Points)** – A finding that presents a significant risk to the University or government which could result in a statute based fine or penalty or an unallowable cost, or be treated as material breach of prime Contract 31, will cause a transaction to be determined unacceptable and assessed a 50 point deduction
- **High Risk (15 Points)** – Risks having above minimal chance of actually occurring that could cause an adverse significant consequence in subcontract price, or subcontract performance relative to schedule, environmental health and safety, security, loss of funds or rights of the University or Government, or loss of public trust
- **Medium Risk (10 Points)** – Risks with a lower probability of occurrence and reduced magnitude of consequences
- **Low Risk (5 Points)** – Risks with minimal impact or chance of occurrence
- **Observation (0 Points)** – A finding that identifies a minor issue with no consequences

Root-cause analyses will be performed for all findings by the Business Assurance Manager and the Procurement and Property Manager to determine whether the findings were due to individual subcontract administrator error or a system deficiency. The appropriate corrective action will be determined based on that analysis. The root-cause analysis will consider the associated risks, their systemic relationship, the planned corrective action, and any process improvements or alternative courses of action that would improve the procurement system. Findings that impact other subcontracts/agreements, or are the result of a Procurement department procedure or process deficiency, may be considered system findings.

Within 30 days after completion of each review, a brief written report will be prepared which identifies review activities and focus, review team participant(s), best practices, major findings, and follow-up activities such as corrective action plans with target dates for completion. The report will be presented to the DOE Contracting Officer and UCLMO, and shared with the Procurement Group Managers and Procurement staff, as applicable.

The overall score for each Business Assurance Random Sample Review, and scoring results from any Optional Judgmental Reviews that are similarly scored, will be used to calculate the Procurement Quality Index for the Balanced Scorecard. Average scores for each review will be multiplied by its ratio to the total number of transactions sampled and then added together for an overall score.

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***Validation of Acquisition Savings***

Post-award reviews of subcontract acquisition savings will be performed to validate compliance with DOE Policy Flash 2012-67.

Validation results will be summarized in a quarterly validation report to be retained in Procurement Business Assurance files. Findings and observations will be brought to the attention of Procurement Group Managers and corrected by subcontract administrators in the procurement system and subcontract files.

**Additional Reviews**

The Procurement and Property Manager and the Business Assurance Manager may also elect to conduct additional self-assessment reviews of selected types of transactions, based on their determination during the year that certain activities warrant such reviews. The types of transactions that could be selected for review include those that are high-dollar, high-risk, high-visibility, or safety-related. The transactions for such optional reviews would generally be selected on a judgmental sampling basis.

**Other Anticipated FY 2014 reviews of Procurement**

A schedule of Anticipated FY 2014 Internal Audits/Advisory Services and External Reviews is included as an attachment to this plan.

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**Attachment I**

**SCHEDULE OF Anticipated FY 2014 INTERNAL AUDITS/ADVISORY SERVICES  
AND EXTERNAL REVIEWS**

<b>Berkeley Laboratory Internal Audit Services (IAS) Audit Descriptions – Procurement Related</b>
<u>FY13 Cost Allowability Audit</u>  As required by Contract 31, Berkeley Laboratory prepares, certifies and submits a Statement of Costs Incurred and Claimed (SCIC) shortly after the end of each fiscal year. This statement serves as Berkeley Laboratory's claim and certification that the costs incurred and claimed are allowable in accordance with the terms of Prime Contract 31 between University of California and DOE. For allowability, the Laboratory is required to have an overall internal audit strategy for auditing costs incurred in the performance of Prime Contract 31. This is accomplished through an annual audit.
<u>Purchase Order and Subcontract Awards and Compliance Monitoring Audit</u>  Internal Audit will evaluate processes and documentation used in awarding purchase orders and subcontracts, whether these are in accordance with Laboratory policy, and how Procurement is monitoring vendor and subcontractor compliance during performance.
<u>Intra-University Transaction (IUT) Awards Advisory</u>  Internal Audit will review IUT terms and conditions to ensure they are awarded in compliance with DOE's Prime Contract.
<u>Subcontract Audits</u>  As requested by Procurement, Internal Audit will perform subcontract pre-award and allowable cost audits.
<b>Office of Inspector General/Government Accountability Office (To be Determined)</b>