OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

AUDIT REPORT

DOE-OIG-22-12 December 2021

HPM CORPORATION OCCUPATIONAL MEDICAL SERVICE'S BILLINGS

Department of Energy
Washington, DC 20585

December 7, 2021

MEMORANDUM FOR THE MANAGER, RICHLAND OPERATIONS OFFICE/OFFICE OF RIVER PROTECTION

SUBJECT: Audit Report on HPM Corporation Occupational Medical Service's Billings

The attached report discusses our review of HPM Corporation Occupational Medical Service's billings to the Department of Energy from calendar year 2013 through calendar year 2020. This report contains six recommendations that, if fully implemented, should help ensure that HPM Corporation bills the Department for appropriate contract costs. Management concurred with each of the report's recommendations. Its comments and proposed corrective actions are responsive to our recommendations.

We conducted this audit from October 2020 through August 2021 in accordance with generally accepted government auditing standards. We appreciated the cooperation and assistance received during this evaluation.

Earl Omer
Assistant Inspector General
for Audits
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE-OIG-22-12

Department of Energy
Office of Inspector General

HPM Corporation Occupational Medical Service's Billings
(DOE-OIG-22-12)

WHY THE OIG PERFORMED THIS REVIEW

The Department of Energy's contract with the HPM Corporation (HPMC) includes three contract components: firm-fixed-price, cost reimbursable, and indefinite delivery/ indefinite quantity. Recently, the number of Hanford Site contracts that include an indefinite delivery/indefinite quantity component has increased. Additionally, the Department has expressed concern with HPMC's contract structure and the potential to bill costs under the incorrect contract component.

Due to the Department's concerns, as well as its limited experience with indefinite delivery/ indefinite quantity contracts, we initiated this audit to determine whether HPMC Occupational Medical Services submitted invoices compliant with contract, procedural, and regulatory requirements to the Department from calendar year (CY) 2013 through CY 2020.

What Did the OIG Find?

We found that although Federal oversight and contract language had improved, HPMC invoiced the Department for costs that were not compliant with the contract and/or procedural and regulatory requirements. As a result, we questioned $44,168 of costs that HPMC inappropriately billed to the Department from CY 2013 through CY 2020. These costs were in addition to approximately $1.3 million in misallocated costs already resolved by the Department.

We attributed these issues to a lack of Department oversight and ambiguous contract language. Additionally, the contractor did not always establish appropriate internal controls or adhere to existing controls.

What Is the Impact?

As a result of the issues we identified, the Department reimbursed HPMC without reasonable assurance that the costs met reimbursement requirements. The Department's ineffective oversight allowed almost 4 years to elapse before it initially identified issues, which has impacted the closeout of the first contract.

To its credit, starting in 2016, the Contracting Officer and Contract Specialist increased the Department's oversight. This oversight extended to the second contract and the Department identified and resolved $1.3 million in misallocated costs.

What Is the Path Forward?

To address the issues identified in this report, we have made six recommendations that, if fully implemented, should help ensure that HPMC bills the Department for appropriate contract costs.

BACKGROUND

The Department of Energy has two Federal offices responsible for environmental cleanup at the Hanford Site (Hanford), the Richland Operations Office, and the Office of River Protection. The Richland Operations Office is responsible for nuclear waste and facility cleanup, as well as overall management of Hanford. The Office of River Protection is responsible for the retrieval, treatment, and disposal of chemical and radioactive tank waste in a safe, efficient manner. To ensure the health and safety of over 9,000 Hanford employees, the Richland Operations Office contracted with HPM Corporation (HPMC) to provide an Occupational Medical Services Program. Since 2012, HPMC's contract supports the DOE Richland Operations Office and Office of River Protection, Hanford contractors and their subcontractors, and others as designated from time-to-time in writing by the Contracting Officer or designee. HPMC's first contract is approximately valued at $108.9 million, which began in June 2012. In December 2018, HPMC began work on a new 7-year contract for approximately $152.2 million. Both occupational medical services contracts contain work that is performed under different types of contracts outlined in Federal Acquisition Regulation (FAR) 16, *Types of Contracts*. Specifically, both contracts contain scope that is firm-fixed-price (FFP), cost reimbursable, and indefinite delivery/indefinite quantity (IDIQ).

Under FAR 16.202–1, *Firm-Fixed-Price Contracts*, an FFP contract provides for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract. This contract type provides maximum incentive for the contractor to control costs, perform effectively, and impose a minimum administrative burden upon the contracting parties. Unless specifically identified as a cost reimbursable or IDIQ task order, all work performed under the contract is considered FFP. FFP work is billed at a flat price each month that covers expenses such as labor, training, relocation, pension management, and consumable costs. FAR 16.3, *Cost-Reimbursement Contracts*, states that cost reimbursable types of contracts provide for payment of allowable incurred costs to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed, except at its own risk, without the approval of the Contracting Officer. Under the cost reimbursable portion of the contract, the Department reimburses HPMC for costs such as laboratory services, vaccines, equipment procurement and upgrades, facility costs, and travel expenses.

As expressed in FAR 16.5, *Indefinite-Delivery Contracts*, an indefinite-quantity contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. Quantity limits may be stated as a number of units or as dollar values. In the case of HPMC, work that is recurring in nature, but that cannot be sufficiently identified or quantified in advance to be included in the FFP scope of the contract, is identified as IDIQ work. This work may include:

- Providing support in the event of natural disasters or catastrophic situations involving the Department or other Federal agencies;

- Providing special consultative services and additional occupational health services not required by the FFP scope of the contract, and incapable of being performed within the minimum essential staffing levels; and

- Providing support for additional epidemiology studies, trending analysis, or health trend reports not required by the FFP scope of the contract and incapable of being performed within the minimum essential staffing levels.

There has been a recent increase in the number of Hanford contracts that include an IDIQ component, similar to HPMC's contract. Additionally, the Department expressed concern with HPMC's contract structure and the potential for HPMC to bill costs under the incorrect contract component. Due to the Department's concerns, as well as the limited amount of management experience with IDIQ contracts, we initiated this audit to determine whether HPMC Occupational Medical Services submitted invoices compliant with contract, procedural, and regulatory requirements to the Department from calendar year (CY) 2013 through CY 2020.

COSTS INAPPROPRIATELY BILLED TO THE DEPARTMENT

Although the Department has made improvements in its oversight in recent years, we found that HPMC invoiced the Department for costs that were not compliant with the contract and/or procedural and regulatory requirements. This occurred due to HPMC personnel charging FFP work on cost reimbursable invoices and being reimbursed for various costs without obtaining prior approval from HPMC supervisors and managers, as required. Also, the Department did not obtain all documentation for invoice costs submitted prior to payment that effected the indirect cost pools. As part of our review, we selected a judgmental sample of 72 out of the 96 (75 percent) regular cost reimbursable monthly invoices from CY 2013 through CY 2020. We found issues in 43 of the 72 (60 percent) cost reimbursable invoices reviewed and questioned a total of $8,470 for costs misallocated (Table 1) and $2,340 for costs improperly charged. We also judgmentally sampled 9 percent of the invoice transactions for HPMC's indirect cost pools from CY 2013 through CY 2020. Within the sample, we identified 18 instances of costs that did not have adequate support for payment and questioned costs totaling $24,614 (Table 2). In addition, we found that HPMC could not always document support for time charging authorization and accuracy leading us to question $8,744 of costs. As a result, we questioned a total of $44,168 in costs that HPMC inappropriately billed the Department from CY 2013 through CY 2020 (Table 3, Appendix 4).

Misallocation of Contract Scope Costs

We found that HPMC did not always properly invoice costs to the appropriate contract scope. Specifically, HPMC improperly coded and charged costs that were classified as FFP to cost reimbursement contract line item numbers. By improperly coding FFP expenses as cost reimbursable, HPMC double-billed the Department and increased its profit. The Department paid approximately $32.9 million to HPMC in 96 cost reimbursable invoices from CY 2013 through CY 2020. We judgmentally sampled and reviewed 72 invoices representing approximately $24.2 million of these costs. Prior to our audit, the Department and HPMC reviewed select invoices and identified misallocated costs such as pension and benefit administration, training, and supply items that resulted in a substantial number of misallocated costs. In response, HPMC agreed to provide credits for these unallowable costs to the Department. Despite this prior review, we also identified unallowable costs that had not been included in the original invoice review or credit to the Department. We questioned $8,470 of FFP costs that HPMC should have credited back to the Department due to mischarging the costs to the cost reimbursable scope, as listed in Table 1:

Table 1: FFP Costs Charged Under Cost Reimbursable Invoices	
Type of Cost	**Amount Questioned**
Feedback Tool	$250
Pension Administration	$7,154
Supply Item	$815
Desktop Services	$41
Duplicate Billing	$210
Total	**$8,470**

The table above included costs of $7,154 of pension and benefit administration, $815 in supply items, and $250 for a feedback tool that were already included in the FFP amounts, yet the costs were also billed in cost reimbursable invoices. HPMC confirmed that these costs should have been FFP. HPMC also invoiced costs that were ineligible for reimbursement. Specifically, HPMC invoiced the Department $41 in March 2015 at a non-HPMC clinic location. Further examination revealed that the charge was for a former HPMC employee who was terminated in January 2015. This cost was not allocable to the HPMC contract. Additionally, we identified seven instances, totaling $210, where HPMC submitted duplicate bills for cell phone stipend reimbursements to the Department.

These problems occurred due to a lack of Department oversight and ambiguous contract language, which delayed the identification of misallocated contract scope. In fiscal year 2016, a new Contracting Officer took over the HPMC contract and improved Department oversight by enhancing the role of the designated Contract Specialist to support the administrative oversight of invoices submitted. For example, to clear up some ambiguity in the second contract, the Contracting Officer signed a modification that reclassified a service at the main clinic from the *Other Direct Costs* section in FFP to the Facility Costs section under the cost reimbursable scope. A Department official indicated that the oversight of HPMC's contract costs had been neglected in the early years of the contract. Further, ambiguous contract language of the first contract poorly defined contract scope that HPMC would have relied on in the performance of work. Department and HPMC officials needed ongoing discussions to establish an understanding of costs incurred against the contract and where those costs should be charged. The Department has improved the language in the second contract to provide clarity to the cost reimbursable and FFP scopes for better cost allocation.

Lack of Documentation and Approval to Support Cost Reimbursement Invoices

HPMC did not always provide complete and accurate documentation to support the expenses it submitted to the Department through cost reimbursable invoices. We also questioned $2,340 of cell phone stipend invoices that were not properly approved. Specifically, we found that from CY 2013 through CY 2016, HPMC processed 36 cell phone stipend invoices without the appropriate HPMC supervisor or manager approval signature. HPMC's *Reimbursement of Business Expenses* and *Billing* policies both include requirements for the Accounting Department (Accounting) to receive correct and approved expense reports prior to invoice processing. Accounting processed the cell phone expenses and subsequently passed them to the Department for reimbursement without approval from the HPMC supervisor or manager; therefore, we questioned the invoiced costs of $2,340.

These issues occurred due to the Department's ineffective review of HPMC's cost reimbursable invoices. Though HPMC clearly submitted the invoice documentation without the supervisor's signature, the Department did not question the cell phone stipends. Further, HPMC's *Reimbursement of Business Expenses* and *Billing* policies require actions at multiple levels for the review and approval of billable expenses. The ultimate responsibility resides with Accounting to ensure proper approvals prior to accounting system input. We found the actions of Accounting employees were not enough to ensure all approvals were correct.

Indirect Cost Pool Missing Documentation

HPMC did not always preserve the appropriate documentation to determine whether costs in the indirect cost pools were allowable, allocable, and reasonable. After reviewing a judgmentally selected sample of indirect costs, we questioned $24,614 of potentially unallowable costs from a total sample of $547,962 invoiced costs from CY 2013 through CY 2020. Our review found inadequate documentation for bonuses (fringe pool), as well as travel airfare, and training or education expenses (both in the General and Administration (G&A) pool):

Table 2: Indirect Cost Pool Missing Documentation

Type of Cost	Sum of Amount
Fringe Bonus Expense	$8,500
G&A Travel Airfare	$4,114
G&A Training/Education	$12,000
Total	**$24,614**

The indirect cost pools contained costs that did not always have appropriate supporting documentation because HPMC was not consistent in maintaining the supporting cost documentation to ensure that approved and paid invoices were allowable. FAR 31.201–2, *Determining Allowability*; HPM-FIN-105, *Reimbursement of Business Expenses*; and HPM-MGT-100, *Employee Incentive Plan* are regulations and policies that ensure supporting documentation is adequate for payment processing. Even though HPMC had adequate controls, its personnel did not follow the prescribed policies and allowed unsupportable costs to pass on to the Department. For example, HPMC did not follow its policy for travel because corporate personnel did not fill out the preapproval travel request, but instead received verbal approval. The inadequate oversight and inconsistency in following local policies and Federal regulations by HPMC created an environment for HPMC to pass potentially unallowable costs to the Department for reimbursement.

Inaccurate Time Charging

Our review identified a risk of charging time inaccurately to IDIQ labor task orders. HPMC did not always maintain the proper documentation for employees who worked on both FFP and IDIQ tasks to guarantee that the Department was not double-billed for labor. Based on HPMC's contract, labor is typically FFP unless the labor is related to an IDIQ task order. When HPMC employees charge to both work scopes, there is a risk that it may charge FFP labor incorrectly through the IDIQ task order. In fact, HPMC identified and amended a situation where an employee incorrectly charged 4 hours to the IDIQ scope that should have been FFP.

HPMC officials informed us that it hired employees to perform only IDIQ contract work; however, we observed that this was not always the case. For example, HPMC utilized an FFP employee to temporarily provide coverage for IDIQ work due to staffing shortages. We found 73 instances where employees performed both FFP and IDIQ task order work. Additionally, we found that four employees' Work Order Authorizations (WOAs), the document that indicates project codes that employees can charge, included an IDIQ task order project. However, HPMC did not document the employees on the . This report lists project codes and employees authorized to charge to the project and is used by HPMC managers to validate employees that could charge labor to certain HPMC projects, including IDIQ task orders. Employee assignments on the *Project Work Force Report* were not always up to date, presenting the risk that errors may go undetected, such as an employee incorrectly charging to IDIQ projects where the cost should have been FFP. Lastly, throughout both contracts, HPMC had 5 IDIQ task order projects, of which we tested 25 invoices and examined approximately 87 WOAs for accurate labor code authorization. In our review of a CY 2016, invoice totaling $8,744, we found that HPMC could not locate any of the employee WOAs to support time charging authorization and accuracy, despite that HPMC has utilized WOAs since 2007. As a result, we questioned the $8,744 of costs claimed due to a lack of supporting documentation.

The risk of HPMC seeking reimbursement from the Department for improper time charging developed because HPMC had not established adequate monitoring controls, or implemented sufficient documentation requirements, to oversee the accuracy of time charging. Currently, there are no implemented controls that include cyclical or spot check reviews over a *Project Work Force Report*. HPMC only completes reviews of the *Project Work Force Report* when the initiation or modification of a WOA occurs. The report itself is a control to identify personnel charging to a project and aligning them with the WOA; however, the lack of monitoring controls to review the report does not ensure it is an effective tool for accurate and compliant time charging. In addition, prior to our review, there were no policies or desk procedures to promote consistency in oversight or verification of time charged. HPMC's labor and timekeeping policy did not address instances where employees were charging to FFP and IDIQ task order work, and there was no guidance to ensure that the appropriate managers verify that the time charged is accurate and appropriate. After discussions with the Office of Inspector General, HPMC updated its timekeeping policy to have employees document when they are utilizing cost reimbursable or IDIQ project codes. Finally, we found insufficient controls to preserve HPMC supporting documentation, such as WOAs, which inhibits HPMC's ability to confirm the work performed is for IDIQ task orders. According to HPMC officials, personnel turnover throughout HPMC led to WOAs not being tracked or stored electronically because at the time there was not a policy that required the retention of documentation. Therefore, HPMC does not comply with Department Order 243.1B, *Records Management Program*, which requires the contractor "to preserve records and information for future use and establish a historical account of the Department for succeeding generations."

IMPROPER PROCUREMENT PRACTICES

HPMC may have invoiced the Department for unreasonable costs by not always utilizing appropriate procurement practices to ensure the best value for the Government. In particular, the Department allowed HPMC to seek reimbursement for "B" read x-ray services, per the contract, under the cost reimbursement scope. However, HPMC did not ensure that the Department received qualified services at the best value because HPMC made sole source subcontract awards that did not meet FAR standards and requirements. HPMC is contractually required to provide x-ray services and readings. However, when special services such as "B" readings are performed outside of the clinic, these costs are covered under the cost reimbursable contract scope. A "B" reader is an American Board of Radiology certified radiologist that reads asbestos-related chest x-rays. Additionally, Title 10 Code of Federal Regulations 850.34, *Medical Surveillance*, requires that a chest radiograph be interpreted by a National Institute for Occupational Safety and Health "B" reader. Per the contract, HPMC is not required to have personnel who retain appropriate certifications for "B" reads, and instead can subcontract for these services. HPMC passes the cost for "B" read services through the cost reimbursable invoice billing to the Department. In our review of the nine "B" read subcontracts from CY 2013 through CY 2020, we found that HPMC was unable to provide evidence demonstrating that the sole source subcontract awards for "B" reader services met FAR standards and requirements. Specifically, HPMC could not provide documentation on the award solicitations for the majority of subcontracts, the unique qualifications of the subcontractor, and most importantly, the sole source rationale to justify such an award.

We attributed HPMC's failure to adequately justify sole source subcontract awards to its insufficient procurement practices, including noncompliance with FAR documentation requirements. Though HPMC instituted the Procurement Program (Program) in 2014, we found multiple areas within the Program that presented concerns or were not compliant with regulations. For example, the Program included samples of sole source justifications that were not compliant with FAR. This may have allowed procurement staff to utilize inadequate sole source justifications or, in some cases, not create a justification at all, which did not meet FAR compliant criterion. Additionally, the Program supports FAR 52.244–5, *Competition in Subcontracting*, by stating that "the Contractor shall select subcontractors on a competitive basis to the maximum practical extent." However, in the 2014 subcontract, documentation showed that the procurement specialist did not utilize a quote to evaluate pricing. This practice was also noncompliant with FAR and HPMC's Program. We noted that the Program uses a model outlining market research to determine adequate competition, and although much of the policy aligns with the FAR requirements, the documentation of the "B" read subcontracts reflects that procurement staff did not follow the policy.

INCREASED RISK OF IMPROPERLY REIMBURSED COSTS

As a result of the issues identified above, we found that the Department reimbursed HPMC's costs without reasonable assurance that these costs met the requirements for reimbursement. Inefficient Federal oversight allowed almost 4 years to elapse on the first contract before the Department identified issues, which has impacted the closeout of the first contract. Due to both the absence and ineffectiveness of HPMC's internal controls over time charging by employees, HPMC is at greater risk of charging the Department for unallowable costs that may go undetected through the reimbursable portion of its contract. Additionally, failure to document supervisory approval for additional task order labor may also suggest that managers could be approving time for work that did not occur. Finally, by not ensuring proper subcontract competition through required procurement actions and adequate documentation to determine fair and reasonable pricing, there is limited assurance that HPMC is acquiring reimbursable medical services at the best value to the Department.

Recent Cost Recovery Efforts by the Department

Starting in 2016, the Contracting Officer and Contract Specialist increased the Department's oversight. This oversight extended to the second contract and the Department identified and resolved $1.3 million in misallocated costs. The Department initially identified the invoicing concerns through invoice reviews as well as through external audits; these concerns extended throughout the first contract and into the beginning of the second contract.

RECOMMENDATIONS

We recommend that the Manager, Richland Operations Office/Office of River Protection, work with the Department and HPMC to address the following:

1. Determine the allowability of $8,470 in misallocated costs, $2,340 in improperly charged costs from cost reimbursable billings, $24,614 in unsupported costs contained in the indirect cost pools, and $8,744 of unsupported time charged in IDIQ task orders.

2. Examine any unreviewed HPMC invoices for similar errors as noted in this report related to the improper payments, indirect cost pools and time charged in IDIQ task orders.

3. Require that HPMC documents submitted to the Department for reimbursement meet the standards set forth in policies and regulations.

4. Reexamine existing policies and, where necessary, develop internal controls to oversee time charging accuracy, as well as implement a documentation requirement for instances where HPMC performs both FFP and IDIQ task order work to ensure transparency and approval of project coordinator oversight.

5. Require compliance with local HPMC policies and Federal regulations and revise HPMC's Procurement Program policy to align with laws and regulations.

6. Ensure continued oversight of HPMC invoice submissions and sufficient allocation of resources to support oversight effort. This includes regular dialogue with HPMC to ensure contract scope charging is clearly understood for continued compliance.

MANAGEMENT RESPONSE

Management concurred with all of the report's recommendations and proposed corrective actions, some of which were already completed, to address the issues identified in the report. Management agreed to determine the allowability of this report's questioned costs and examine any unreviewed invoices for similar errors identified in the report. Further, management stated that it will continue to enforce compliance with Federal regulations and any contractually required HPMC policies. These actions will be completed by October 2022. Management indicated that corrective actions had already been taken for three of our recommendations: (1) reexamining HPMC's existing policies and updating policies for internal controls to ensure time charging accuracy; (2) implementing a review process to ensure appropriate documentation is provided to support items invoiced; and (3) reaffirming its commitment to continued oversight of invoices and resources to support this effort.

Management comments are included in their entirety in Appendix 3.

AUDITOR COMMENTS

Management's comments and proposed actions were responsive to our recommendations, and we agree with the actions taken. Management provided additional information regarding the completed corrective actions and stated that invoice payments are provisional until final contract payment and closeout occur. Further, the Contracting Officer may have the contractor's invoices audited at any time prior to final contract payment. We would like to emphasize that management should provide continuous oversight and monitoring of invoiced costs and not rely or wait on a closeout audit to identify unallowable costs.

OBJECTIVE

We conducted this audit to determine whether HPM Corporation (HPMC) Occupational Medical Services submitted invoices compliant with contract, procedural, and regulatory requirements to the Department of Energy from calendar year (CY) 2013 through CY 2020.

SCOPE

The audit was performed from October 2020 through August 2021 at HPMC in Richland, Washington. The audit scope included HPMC's invoices and billings from CY 2013 through CY 2020. The audit was conducted under Office of Inspector General project number A20RL031.

METHODOLOGY

To accomplish our audit objective, we:

- Reviewed applicable policies, procedures, laws, and regulations pertaining to HPMC invoice submissions.

- Reviewed reports issued by the Office of Inspector General, Government Accountability Office, and other entities, such as external audit firms.

- Interviewed key personnel from HPMC and the Department.

- Reviewed billing procedures against contractual requirements and adequacy of verification processes.

- Obtained and assessed HPMC's cost reimbursable invoices to determine if costs were properly allocated. We judgmentally selected a sample of 24 months of cost reimbursable invoices from CY 2013 through CY 2020, and judgmentally selected a secondary sample of 48 months of invoices from CY 2013 through CY 2020, for a total of 72 months of cost reimbursable invoices to assess whether invoices were compliant with contract, procedural, and regulatory requirements. Because the selection was based on a judgmental or nonstatistical sample, results and overall conclusions are limited to the items tested and cannot be projected to the entire population or universe of costs.

- Obtained and assessed indefinite delivery/indefinite quantity (IDIQ) invoices for proper submission to determine if any cost shifting occurred. Assessed whether invoices were compliant with contract, procedural, and regulatory requirements by judgmentally selecting 28 of 65 months of IDIQ task order invoices from CY 2016 through CY 2020. Because the selection was based on a judgmental or nonstatistical sample, results and overall conclusions are limited to the items tested and cannot be projected to the entire population or universe of costs.

- Obtained and assessed general ledgers for firm-fixed-price scope costs billed to the indirect cost pools and the costs aligned with criteria. Judgmentally selected 130 indirect cost pool (General and Administration, fringe) transactions to assess whether HPMC was compliant with contract, procedural, and regulatory requirements. Because the selection was based on a judgmental or nonstatistical sample, results and overall conclusions are limited to the items tested and cannot be projected to the entire population or universe of costs.

We conducted this 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 based on our audit objective. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the monitoring and control activities components as well as the underlying principles implementation of control activities and performance of 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 HPMC's general ledgers and invoice documentation for firm-fixed-price, cost reimbursable, and IDIQ contract scope from CY 2013 through CY 2020 by matching general ledger transactions to HPMC's accountings system data and comparing the invoice totals provided by HPMC to Department invoice payments. We validated the general ledger data by tracing the 130 invoice transactions to its source documentation and validated the invoice documentation by ensuring that the requests were fulfilled for the invoices and were present for each month applicable for firm-fixed-price, cost reimbursable, and IDIQ billings. We determined that this data is sufficiently reliable for our reporting purposes.

We held an exit conference with management officials on October 27, 2021.

- Audit Report on *The Office of Fossil Energy's Oversight of the Texas Clean Energy Project Under the Clean Coal Power Initiative* (DOE-OIG-18-17, February 2018). The Department of Energy's Clean Coal Power Initiative(Initiative) is a partnership with industry to demonstrate advanced coal-based technologies. The Initiative's goal is to accelerate commercial deployment of promising technologies to ensure the Nation has clean, reliable, and affordable electricity. The purpose of this report was to determine whether the Office of Fossil Energy (Fossil Energy) effectively and efficiently managed financial aspects of the Texas Clean Energy Project under the Initiative. The audit identified numerous instances, valued at over $38 million, where requests for reimbursement and cost-share contributions submitted throughout the period of performance were approved by Fossil Energy without sufficient documentation provided with the invoices to justify approval. Additionally, the Office of Inspector General (OIG) directly identified and questioned over $2.5 million in expenditures that Summit Texas Clean Energy LLC (Summit) charged to the Texas Clean Energy Project as potentially unallowable. Fossil Energy had not ensured that project management policies and procedures of ongoing invoice reviews were followed. Additionally, the costs the OIG questioned were charged to the Texas Clean Energy Project because neither Summit nor Fossil Energy identified the costs as potentially unallowable in Summit's preparation and review of expenditures. The OIG made three recommendations to address the issues identified.

- Audit Report on *Subcontract Administration at the Mixed Oxide Fuel Fabrication Facility* (DOE-OIG-20-16, December 2019). The audit identified MOX Services, LLC did not consistently administer the subcontracts selected for review in accordance with Federal Acquisition Regulation requirements for contract cost principles and procedures in the areas of subcontract modifications, labor premiums, supporting documentation, overtime billings, rework material costs, rework labor profits, and material reconciliations. The audit specifically identified that MOX Services, LLC did not maintain records, in some cases, including supporting documentation, to adequately demonstrate that costs claimed had been incurred, were allocable to the contract, and complied with applicable cost principles. The OIG did not make any recommendations because the Federal Government reached a settlement agreement with the contractor for outstanding incurred costs, which included the questioned costs in the audit.

Department of Energy
Hanford Site
Richland Operations Office | Office of River Protection

October 18, 2021

PSD:MAZ/21-PSD-003375

MEMORANDUM FOR JOHN E. MCCOY II
DEPUTY ASSISTANT INSPECTOR
GENERAL FOR AUDITS
IG-301.2

FROM: BRIAN J. STICKNEY
DEPUTY MANAGER
RICHLAND OPERATIONS OFFICE

BRIAN STICKNEY Digitally signed by BRIAN STICKNEY Date: 2021.10.18 13:30:01 -07'00'

SUBJECT: MANAGEMENT RESPONSE TO THE OFFICE OF INSPECTOR GENERAL DRAFT AUDIT REPORT ON HPM CORPORATION OCCUPATIONAL MEDICAL SERVICE'S BILLINGS

The U.S. Department of Energy (DOE), Richland Operations Office (RL) appreciates the opportunity to review and comment on the subject Office of Inspector General draft report (project number A20RL031). DOE has reviewed the information in the draft report with respect to the facts presented, conclusions reached, appropriateness of the recommendations, and reasonableness of the estimated potential monetary impact or other benefits that may be realized. DOE appreciates the recognition of efforts taken to date to resolve $1.3 million in questioned costs associated with the subject contracts as well as to continually improve departmental oversight. DOE recognizes that additional improvements will only serve to increase assurance of appropriate payment of contract invoices.

DOE concurs with the report's recommendations and the Department's Management Response to each of the recommendations follows.

Recommendation 1:
Determine the allowability of $8,470 in misallocated costs, $2,340 in improperly charged costs from cost reimbursable billings, $24,614 in unsupported costs contained in the indirect cost pools, and $8,744 of unsupported time charged in indefinite delivery/indefinite quantity (IDIQ) task orders.

Management Response: Concur
DOE will determine the allowability of questioned costs of $8,470 in misallocated costs, $2,340 in improperly charged costs from cost reimbursable billings, $24,614 in unsupported costs contained in the indirect cost pools, and $8,744 of unsupported time charged in IDIQ task orders. The estimated completion date is October 14, 2022.

Recommendation 2:
Examine any unreviewed HPM Corporation (HPMC) invoices for similar errors as noted in this report related to the improper payments, indirect cost pools and time charged in IDIQ task orders.

Management Response: Concur
DOE will examine any unreviewed HPMC invoices for similar errors as noted in the report related to the improper payments, indirect cost pools, and time charged in IDIQ task orders. The estimated completion date is October 14, 2022.

Recommendation 3:
Require that HPMC documents submitted to the Department for reimbursement meet the standards set forth in policies and regulations.

Management Response: Concur
DOE requires that HPMC documents submitted to the Department for reimbursement meet the standards set forth in policies and regulations. HPMC has implemented a review process to provide appropriate documentation to support each item invoiced to the Department. HPMC reviews all corporate policies and procedures on an annual basis. DOE performs oversight in accordance with DOE's invoice processing procedure and through documented review/concurrence by applicable subject matter experts and the contracting officer. This action is complete as of the date of this memorandum.

Recommendation 4:
Reexamine existing policies and, where necessary, develop internal controls to oversee time charging accuracy, as well as implement a documentation requirement for instances where HPMC performs both firm-fixed-price (FFP) and IDIQ task order work to ensure transparency and approval of project coordinator oversight.

Management Response: Concur
DOE confirmed HPMC's reexamination of existing policies. HPMC updated its policies to include internal controls to oversee time charging accuracy, as well as implementation of a documentation requirement for instances where HPMC performs both FFP and IDIQ task order work to ensure transparency and approval of project coordinator oversight. This action is complete as of the date of this memorandum.

Recommendation 5:
Require compliance with local HPMC policies and Federal regulations and revise HPMC's Procurement Program policy to align with laws and regulations.

Management Response: Concur
DOE will continue to require compliance with Federal regulations and any contractually required HPMC policies. The Contracting Officer directed HPMC to revise its procurement program policy to align with law and regulations. The estimated completion date is October 14, 2022.

Recommendation 6:
Ensure continued oversight of HPMC invoice submissions and sufficient allocation of resources to support oversight effort. This includes regular dialogue with HPMC to ensure contract scope charging is clearly understood for continued compliance.

John E. McCoy II -3- October 18, 2021
21-PSD-003375

Management Response: Concur
DOE is committed to continued oversight of HPMC invoice submissions and has allocated sufficient resources to support oversight efforts. DOE and HPMC continue to have regular dialogue to ensure contract scope charging is clearly understood for continued compliance. This action is complete as of the date of this memorandum.

If you have any questions, please contact Marcy Aplet-Zelen, Hanford Audit Coordinator, on (509) 376-8510.

cc:
Director, Office of Finance and Accounting, CF-10
Director, Office of Financial Policy and Audit Resolution, CF-20
Audit Resolution Specialist, Office of Financial Policy and Audit Resolution, CF-20
Audit Liaison, Office of Environmental Management, EM-5.112
Audit Liaison, Richland Operations Office, RL

Table 3: Details of Questioned Costs from Cost Reimbursable Invoices and Task Orders			
Type of Cost	**Amount Questioned**	**Description of Questioned Cost**	**Criteria**
Pension Administration	$7,154	Firm-fixed-price (FFP) scope: Administrative costs	C.2.1.23 *Legacy Pension and Benefit Plan Management* C.3.2.4.8 *Management of Pension and Benefit Plans for which DOE Reimburses Costs*
Supply Item	$815	FFP scope: Contractor shall furnish all personnel, material, supplies, and services and otherwise do all things necessary for performance of work.	C.2.1.24 *Fixed-Price Non-Labor* C.3.2.4.5.4 *Other Direct Costs*
Feedback Tool	$250	FFP scope: SurveyMonkey costs for the collection of satisfaction survey results from classes, presentations, etc. (i.e., to obtain customer satisfaction feedback)	C.2.1.17 *Occupational Health Website* C.3.2.5.3(d) *Occupational Health Website*
Desktop Services	$41	Costs for user services in March 2015 at a non-clinic location by a user who was terminated in January 2015	C.2.2.9 *Infrastructure Costs*
Duplicate Billing	$210	Duplicate bills for cell phone stipend reimbursements	C.2.2.9 *Infrastructure Costs*
Cell Phone Stipend	$2,340	Cell phone stipend reimbursement form where the employee did not obtain the appropriate manager approval signature	HPM-FIN-105, HPM Corporation's *Reimbursement of Business Expenses*
Indirect Cost Pool Missing Documentation	$24,614	The indirect cost pools contained costs that did not always have appropriate supporting documentation.	FAR 31.201–2, *Determining Allowability*; HPM-FIN-105, *Reimbursement of Business Expenses*; HPM-MGT-100, *Employee Incentive Plan*
Unsupported Labor Changes	$8,744	HPM Corporation did not always maintain the proper documentation for employees who worked on both FFP and indefinite delivery/indefinite quantity tasks.	Department Order 243.1B, *Records Management Program*
Total	**$44,168**		

FEEDBACK

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