

Bruce Hamilton, Chairman
Jessie H. Roberson
Joyce L. Connery

**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**

Washington, DC 20004-2901



August 6, 2020

The Honorable Robert J. Feitel
Inspector General
US Nuclear Regulatory Commission
Defense Nuclear Facilities Safety Board
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Feitel:

I am writing in response to OIG Case No. CD17-002 which conveyed the results of an Office of the Inspector General (OIG) investigation into a fraud allegation concerning a Defense Nuclear Facilities Safety Board (DNFSB) contract to procure a Financial Management System (FMS). The investigation found that from April 2016 to March 2017, the prime contractor assigned to develop the DNFSB's FMS allowed its subcontractor to perform more than 50 percent of the work, which violates 13 CFR § 125.61, a U.S. Small Business Administration (SBA) 8(a) contract regulation. The investigation also revealed that DNFSB spent \$134,361.95 to develop the FMS, but the agency later terminated the contract because it failed to recognize a need for system verification and validation testing, an additional cost that it had not adequately considered when it decided to develop a new software. OIG did not substantiate any fraud or misconduct pertaining to the contract solicitation or the award process. Further, OIG found no evidence that DNFSB staff had influenced the award of the FMS contract.

Although I am pleased that the fraud allegation was not substantiated, your investigation did expose potential programmatic weaknesses. You asked me to report back on subsequent remedial measures that we will put in place.

In response to your investigation and related report, the agency has retrained the entire financial management and contracting team on 13 C.F.R. § 125.61. Training was also conducted to ensure that all relevant considerations (e.g., system verification and validation requirements) are taken into account prior to awarding a contract. Additionally, the agency is transitioning to an electronic procurement process to standardize our procurement procedures and provide greater rigor in the pre-acquisition phase.

Yours truly,

A handwritten signature in black ink that reads "Bruce Hamilton". The signature is written in a cursive style.

Bruce Hamilton
Chairman