
FY 2009 SCFAR PEER REVIEW KICKOFF MEETING

JANUARY 27, 2009
Y-12 National Security Complex



SCFAR Overview/History

- Support Cost by Functional Activity Report (SCFAR), *formerly called Functional Support Cost Report*, was developed to highlight the amounts of and trends in support cost incurred by 28 of the DOE's largest contractors, classified by functional activity.
- Prior to FY1997, DOE Department-wide support cost data showing the nature of, amount of, and trends in these costs was not available.
- Recognizing the importance of managing these costs, and receiving many requests from Congress and GAO, DOE's Chief Financial Officer implemented the SCFAR system in FY1997. Contractors submitted SCFARs starting from FY1995 data.

SCFAR Overview/History

- Definitions of support cost categories were developed jointly by the DOE's Program Offices, Office of the CFO, and FMSIC to ensure that contractors conform to standardized definitions and categories in reporting their support related costs.
- A Peer Review Program was designed to ensure consistency and data integrity, which includes site reviews by a Peer Review Team with members from different organizations.
- The initial Peer Review Team conducted 11 site reviews in 1998.
- A 'Lessons Learned' was submitted by the Peer Review Team to FMSIC.

SCFAR Overview/History

- FMSIC supported the recommendations from the Peer Review Team for improvements in definitions, guidance, etc.
- In 2002, DOE-HQ included in the annual SCFAR call its expectation from sites of full cooperation regarding participation in peer reviews. In the call, DOE-HQ indicated its strong support of FMSIC in their efforts to schedule and monitor functional support cost peer reviews as outlined to GAO.

Objectives of SCFAR Peer Reviews

- Peer reviews are considered a learning process for the Site and the Peer Review Team.
 - For the Site, peer reviews are a means of obtaining further clarification of guidelines and improving consistency by learning about other sites' reporting practices.
 - For the Peer Review Team, peer reviews provide opportunities to learn about new approaches and techniques that may be shared with other sites.
- While the primary objective is to determine a site's reporting accuracy, peer reviews also function as a vehicle for communication for the Site, the Peer Review Team, FMSIC and DOE-HQ.

Objectives of SCFAR Peer Reviews

- Recommendations made during peer reviews should help a Site increase its reporting accuracy.
- Although site-to-site comparisons are not a primary goal, consistent interpretation of definitions and guidelines are important.
- Peer reviews assess the implementation of previous recommendations.

FMSIC & DOE Support

- Increased support for the Peer Review Team from Financial Management Systems Improvement Council (FMSIC) and DOE.
- FMSIC continuously functions as a “liaison” between DOE-HQ, Peer Review Team and the DOE Contractors in matters related to SCFAR and provides assistance to the Peer Review Team in accomplishing its mission.
- FMSIC Clearinghouse web page contains a dedicated SCFAR Peer Review Team section:
<http://info.inel.gov/fmsic/index.html>
- DOE has included in the annual SCFAR call its support of FMSIC’s effort to achieve consistency & accuracy through peer reviews.
- FMSIC and the Peer Review Team’s roles in SCFAR are gaining more importance as Congress, GAO and other agencies continue to review DOE’s management of Contractors’ support cost.

SCFAR Peer Review Team Charter

Mission

- To ensure consistency in Support Cost by Functional Activity Reporting among the DOE Contractors as directed by DOE-HQ.
- To act as a resource to the Contractors.
- To maintain open communication with FMSIC.

SCFAR Peer Review Team Charter

Team Goals

- Maintain a minimum of 6 experienced members.
- New members must have a minimum of 2 years of experience or involvement in Support Cost by Functional Activity Reporting.
- New members must be nominated by a Peer Review Team member or their site and the nomination must be approved by the majority of Team members.
- New members must assist on two peer reviews and should attend the Kickoff meeting prior to leading a review.
- New team members should be briefed on the SCFAR history.

SCFAR Peer Review Team Charter

Review Criteria

- Each review will be attended by at least Two Team members.
- Phone reviews will be conducted by an experienced Team member.
- The peer review cycle should be on a three year schedule.
- If a site did not meet the guidance, the Team will recommend to FMSIC another review the following year, preferably with the same team members.
- Peer review reports will be sent to the Peer Review Team Leader, who, in turn, will distribute them to the FMSIC Executive Director.

SCFAR Peer Review Team Charter

Team Lead Selection

- The Team Lead will lead for one year.
- The role of the Team Lead will be filled by voluntary basis and must be approved by the majority of Team Members.
- If both requirements are not met, the Team members will nominate and elect the Team Lead by a majority vote.
- Each succeeding Team Lead will be selected or elected during the Peer Review Team's Annual Kickoff Meeting.

Peer Review Report Style

- Establish consistency in report writing.
 - Always use official FMSIC letterhead.
 - Title of the report is: FY2008 SUPPORT COST BY FUNCTIONAL ACTIVITY REPORT- Name of Site.
 - The initial paragraph starts as:
 - “ We have reviewed the (FY(insert fiscal year) Support Cost by Functional Activity Report of the (insert site). The purpose of the review was to confirm that the data reported by (insert site) complied with the guidelines and definitions issued by the United States Department of Energy (DOE) and to fulfill a DOE-HQ requirement to have all of the reporting sites independently reviewed on a periodic basis.”

Peer Review Report Style

- Hierarchy for Distribution for copies:
 - DOE HQ i.e. O. Barwell, DOE-HQ
 - FMSIC i.e. M. Conger, FMSIC Chairman and B. Morishita, FMSIC Executive Director
 - Site staff
 - Peer Review Team members

Peer Review Preparation, Process & Documentation

- Coordinate best date for review with team member and site to be reviewed.
- Send call letter to site CFO or other designate.
- Include agenda and logistic and data requirements.
- Bring current guidance from DOE and last Peer Review report for the site.

Peer Review Preparation, Process & Documentation

- Verify that recommendations from last Peer Review report have been implemented.
- Split up the data to be reviewed.
- Maintain a running dialogue with the other peer review team member. Bounce ideas/concerns off each other.
- If necessary, solicit opinions from other peer review team members not present in the review.

Peer Review Preparation, Process & Documentation

- Submit any questions about the SCFAR to the site representative.
- Include items identified and corresponding dollar amounts (if applicable and at your discretion) in closing letter.
- Determine % accuracy of site's SCFAR.
- Write peer review report based upon items identified and % accuracy.

Peer Review Preparation, Process & Documentation

- Present peer review report to site personnel.
- Obtain signatures on peer review report.
- If applicable, extend invitation to site to join peer review team.
- Limit site review to two days if possible; remember this is a REVIEW and not an AUDIT.

Peer Review Preparation, Process & Documentation

- Send copy of peer review report to Peer Review Team Leader for distribution.
- Provide the Peer Review Team Leader with descriptions of issues/concerns during the review; Team leader will submit to all Team members, if appropriate, issues/concerns for opinions & recommendations.

Discussion Points to Ask During the Review

- 1. How were previous Peer Review recommendations incorporated into your latest report?**
- 2. How was “Work for Other Sites” and “Work from Other Sites” reported?**
- 3. What “typical” site functions are paid by your local DOE office (e.g. utilities, security, etc.) and were they included in the SCFAR?**
- 4. What Service Centers or other allocations do you have and how did you report them?**
- 5. Do you have Indirect General Plant Projects and how did you report them?**
- 6. Do you have any specific problems with interpreting the SCFAR definitions or guidelines?**

Degree of Accuracy

1. Identify issues/concerns regarding compliance of the Site's SCFAR to the definitions and guidelines for preparation and submission as provided by the Department of Energy (DOE).
2. Determine a dollar value for each issue/concern; if not possible, use a reasonable and mutually acceptable estimate.
3. Add the dollar values of each issue/concern. All amounts should be absolute values.
4. Divide the sum of dollar values in 3. by the Total Site Cost reported in SCFAR. The resulting percentage (%) is the degree of deviation from 100% compliance of the Site's SCFAR.
5. Subtract the result from 4. from 100% to calculate the degree of compliance to the definitions and guidelines.

Benchmark for Accuracy Assessment

- When the SCFAR initiative began, it was recommended that each Site utilize existing accounting systems to collect SCFAR data. As a result, it was originally recognized that each Site's system limitations might prevent 100% accuracy of data. Therefore, Sites were to strive for 80% to 90% accuracy. Since then, SCFAR has gained popularity with DOE Headquarters (DOE-HQ) and Congress. DOE-HQ now recommends that each Site strive for 100% accuracy.
- The Peer Review Team recognizes that a comprehensive review to fairly ascertain the degree of accuracy of a site's SCFAR may be difficult, given a limited time frame for each review. Hence, a 90% benchmark is used.

Roles & Responsibilities of Team Lead

- Facilitate and conduct the annual SCFAR Peer Review Team Kickoff meeting.
- Develop annual schedule of SCFAR peer reviews.
- Monitor status of peer reviews and adjust schedule accordingly to complete maximum number of peer reviews possible.
- Function as primary resource for peer review team during site reviews.
- Act as the Team's contact person for FMSIC in matters related to SCFAR peer reviews.

Roles & Responsibilities of Team Lead

- Bring requests for further guidance and/or issues from reviews to FMSIC's attention and obtain response and/or resolution from FMSIC accordingly.
- Provide information related to SCFAR Peer Review Team to FMSIC Executive Director.
- Maintain database for peer review schedule, peer review reports completed, SCFAR issues resolved, etc.
- Ensure SCFAR Peer Review Team members have up-to-date information related to SCFAR and peer reviews.
- Conduct other administrative activities.

Consideration in Determining Peer Review Schedule

- Geographical location of Site
- Nature of Site to be reviewed (EM, NNSA, SC, etc.)
- Past reviewers of the Site
- Phone reviews (normally for Sites with total cost \leq \$100M)
- Other (travel restrictions of members, etc.)