

**PROJECT MANAGEMENT
CONSTRUCTION SUBGROUP**

LACK OF QUALIFIED SUPPLIERS

WHITE PAPER

FY 2011

**Prepared by:
Energy Facility Contractors Group (EFCOG)
Project Management Working Group**

Table of Contents

1. Executive Summary 3

2. Discussion 3

 2.1 Problem 3

 2.2 Background..... 3

3. Recommendations..... 5

4. Benefits to DOE 5

1. Executive Summary

The lack of qualified or experienced suppliers is reducing the competition on DOE projects, increasing the costs, and delaying project completions. This is especially true on projects requiring non-commercial quality requirements (NQA-1) and 10CFR830. The DOE Complex should leverage resources by performing joint supplier audits, developing and maintaining a database for audit documentation and making the audit list available to all DOE contractors. These steps will improve screening for qualified suppliers, facilitate more consistent and efficient compensatory actions when required, increase competition, and lower costs for supplier quality verification.

2. Discussion

2.1 Problem

The lack of qualified or experienced suppliers is reducing the competition on DOE projects, increasing the costs, and delaying project completions. This is especially true on projects requiring non-commercial quality requirements (NQA-1) and 10CFR830. The EFCOG Project Management Working Group has formed a Construction Management (CM) Subgroup as a forum to collaborate on CM issues affecting projects across the DOE enterprise. The group identified this topic as having potentially high leverage opportunities for improvement and agreed to review the issues causing these problems and develop recommendations for improving the lack of qualified vendors.

2.2 Background

In researching and investigating this issue we learned the EFCOG QA Sub Group addressed similar issues in 2008 with a Quality Assurance Improvement Project. Their scope was to perform research and evaluation to identify methods for expanding the number of willing and qualified suppliers for nuclear grade items and services within DOE, and provide recommendations for promoting information sharing, resource sharing and standardization of efforts within DOE to improve quality, safety and cost associated with identifying, qualifying and maintaining suppliers.

The Department of Energy (DOE) has experienced increasing difficulty finding suppliers that are qualified to provide items and services in accordance with the standards of the Quality Assurance Requirements for Nuclear Facility Applications (NQA-1) from the American Society of Mechanical Engineers (ASME). Given that the numbers of those suppliers have been decreasing, DOE and its contractors have been duplicating qualification audits of those common few NQA-1 suppliers.

Complicating the issue further is the mandated selection process that must be followed by DOE to select suppliers. To illustrate the complications of working with DOE, the following needs to be considered:

EFCOG PMWG – Lack of Qualified Suppliers

- DOE corporate quality policy and its nuclear safety regulations require procured items and services to meet more rigorous quality requirements than prospective suppliers have experienced with other customers.
- DOE also requires prospective suppliers to be evaluated and selected on the basis of specified criteria.
- Lastly, DOE requires verification that approved suppliers have established and implemented their processes to provide the specified items and services.

Consequently, the perception from many prospective suppliers is that it is not worth their time and expense to pursue DOE contracts. Procurements outside the realm of DOE have been such that DOE business was not a necessity for success. Most industry forecasts predict that as domestic and international nuclear work expands, DOE's share of the market will continue to decline and these challenges will increase.

Repetitious audits of the same supplier have lead to the following undesirable conditions:

- Inconsistent reviews of shared suppliers lead to potential differing interpretations on implementing the standard DOE quality requirements. Compensatory actions (or Corrective Action Plans) for the same supplier may differ when managed by different sites, different DOE programs, or differing contractors.
- Organizations within DOE are not utilizing all available expertise to evaluate its suppliers, resulting in a less than rigorous review of the shared supplier.
- Project schedule slippage due to delays in evaluating a supplier that can only accommodate one audit team from one organization at a time.

A joint supplier evaluation program of common suppliers would enable the following benefits:

- Decrease Project/Cost Risks
- Achieve Cost Avoidance & Cost Savings
- Improve Supplier Performance
- Decrease Risk of Suspect/Counterfeit Items
- Improve Credibility with Common Suppliers

DOE should endorse and adopt the EFCOG's Supplier Evaluation Program. Adopting EFCOG's Supplier Evaluation Program will:

- Eliminate redundant supplier evaluations.
- Establish a consistent approach to evaluating suppliers by a standardized set of quality requirements.
- Improve the overall quality of supplier evaluations.

These goals are interrelated; it is perceived that eliminating redundant audits will lead to a focused coordinated review of common DOE suppliers. This along with the consistent

approach of evaluating suppliers with a standardized set of requirements will ultimately lead to improving the overall quality of supplier evaluations.

There is an important distinction between a consolidated list of common suppliers audited under a Joint Supplier Evaluation Program and a DOE complex-wide Approved Suppliers List that must be discussed further (see Recommendation #7). An Approved Suppliers List for the DOE complex would represent the broad approval of suppliers without requiring additional actions by DOE sites to use those suppliers. A consolidated list of common suppliers audited under a Joint Supplier Evaluation Program would not contain such endorsements (implied or otherwise). Rather, it would merely serve as an exchange of information that DOE sites could use to make their own determination on the acceptability of a supplier.

3. Recommendations

1. DOE endorse the EFCOG Supply Chain Working Group procedure for performing joint audits, Energy Facility Contractors Group (EFCOG) Supply Chain Quality Task Team Supplier Evaluation Program (SCQTT SEP), approved August 2008.
2. DOE endorse the posting of supplier audit information for use under the above Program.
3. DOE should support the open exchange of Compensatory Actions (or Corrective Action Plans) related to NQA-1 suppliers as shared information.
4. DOE ensure that contractors understand their responsibility to evaluate the audit reports and make their own determination as to the adequacy for specific suppliers meeting the quality and technical requirements on a case-by-case basis.
5. DOE should issue a contract clause requiring the use of SCQTT SEP.
6. DOE should conduct audits of the SCQTT SEP to determine compliance with 10CFR830 and NQA-1 and address any gaps identified during audits.
7. DOE should consider further investigating the possibility of sanctioning a DOE Complex-wide Approved Suppliers List. The cost benefit to DOE is intuitive but the contract risks and liabilities should be evaluated before further technical study is pursued.

4. Benefits to DOE

1. Eliminate redundant supplier audits.
2. Provide consistent process for performing audits.
3. Compliance with 10CFR830 and NQA-1.
4. Sharing of audit resources with other DOE organizations and contractors.
5. Allows for simplified DOE and Field oversight by conducting joint audits of the SCQTT SEP.

6. Promotes information sharing, resource sharing and standardization of efforts within DOE to improve quality, safety and cost efficiency associated with attracting, identifying, qualifying and maintaining suppliers.