

**INDEPENDENT PEER REVIEW PROGRAM**

**For**

**Contractors' Purchasing Systems**

***Prepared By: Procurement Evaluation & Reengineering Team (PERT)  
For Use By: DOE, NNSA and Contractor Purchasing Organizations  
Approved By: The DOE and NNSA Procurement Executives***

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# INDEPENDENT PEER REVIEW PROGRAM

## FROM THE PROCUREMENT EXECUTIVES

Over the last several years, the Department of Energy (DOE), the National Nuclear Security Administration (NNSA), and its contractors have redesigned their respective purchasing cultures, systems, and processes to achieve significant improvements in the critical measures of performance, cost, quality, speed, and service.

In the course of this redesign, the nature of the relationship of the parties has changed. An increased level of trust and more open, productive communications fostered a change in the ways in which the Headquarters related to its contractor community and the ways in which Headquarters related to its Field Organizations.

One of these changes was the nature and process of performance assessment and oversight of Federal Procurement and Contractor Purchasing systems. Together, we moved successfully from a process-focused, compliance oriented program to a more results-oriented approach. Critical to this new process have been jointly developed, performance assessment and management programs to ensure that our Procurement and Purchasing systems are well designed, faithfully implemented, and achieved their intended purposes. Inherent in any credible management control systems is some element of independent, objective verification and validation.

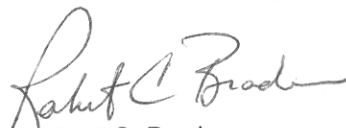
To assist DOE and NNSA Federal Procurement Offices and Contractor Purchasing Managers in achieving this independent and objective review standard, the DOE Contractor Purchasing Council (CPC) developed a Peer Review Program. After several years of operation and experience, some modifications were appropriate. These changes have been incorporated into this revised Independent Peer Review Program for Contractors' Purchasing Systems. We strongly support the program and encourage its use to enhance customer communications and validation of your procurement/purchasing systems. The use of the Independent Peer Review Program to meet Federal regulatory requirements is mandatory, however the site Contracting Officer may recommend to the respective Procurement Executive an alternative approach that meets the basic system certification requirements.

The Independent Peer Review Program elements provided by this document will be revised as necessary to incorporate improvements and lessons learned. In the event of any errors, omissions or inconsistencies between this document and any Federal contract and/or authoritative direction, requirement or policy, the contract and authoritative Federal communications shall have precedence.

This document supercedes the earlier guidance, "PEER REVIEW PROGRAM for Federal Procurement And Contractor Purchasing Systems" dated July, 1999.



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Under the sponsorship of the DOE and NNSA Senior Procurement Executives, the Procurement Evaluation and Re-engineering Team (PERT) is chartered to conduct contractor purchasing system reviews and provide support to the DOE CPC and the NNSA Contractor Forum. In order to assist DOE, NNSA and contractors in meeting the requirements of a credible procurement/purchasing system, the PERT has established the Independent Peer Review Program to provide professional assistance and support in performing independent system validations and verifications. For the peer review process to work effectively, it is important to recognize the value of teaming and proactive involvement between the federal and contractor personnel in conducting the peer reviews.

One of the critical elements of a credible Independent Peer Review Program is the level of competency, independence, and objectivity of the methodology and personnel assessing the operation of the purchasing system. To facilitate such credibility, an integral part of all purchasing system assessments involve some level of independent peer review. The use of independent peer reviews is intended to ensure that independence and objectivity are maintained in the assessment process, and that there are no financial, organizational, or personal relationships that would prevent the peer reviewer from rendering fair and impartial findings or observations when conducting the assessment.

In this regard, the Independent Peer Review Program represents an invaluable resource available to all contractor purchasing organizations in achieving an independent and objective review standard. The results of such independent reviews should be but one factor considered in determining the overall efficiency and effectiveness of the purchasing organization. The independent verification and validation process should not be a separate, discrete activity, but rather a part of the overall purchasing system.

## I. Introduction:

It is the responsibility of the contracting officer and contractor purchasing organization to establish a program that facilitates continuous improvement of the procurement process. A key element of any such program is the identification of the methods to be used to ensure objectivity and reasonable independence of the self-assessment validation program. The Independent Peer Review Program is the primary method for performing the independent verification of contractors' purchasing systems. Alternate approaches approved by the Senior Procurement Executive may be used only if extraordinary circumstances make use of this program inappropriate.

## II. Background:

In 1995, the DOE eliminated the "Federal norm" as the standard, against which it evaluated contractor's purchasing systems, replacing the Federal Norm with the standards of:

- "best-in-class" purchasing organizations, be they public or private,
- the clause at DEAR 970.5244-1, Contractor Purchasing System, and
- the requirements of DEAR 970.4402, Contractor Purchasing System.

At the same time, the DOE and NNSA reengineered their programs for oversight of Federal and contractor purchasing and property management systems, replacing Headquarters-based, process-oriented review programs with ones that rely on local self-assessment of performance against Departmental expectations. These tenants apply to all DOE/NNSA contractors as implemented through their prime contracts and approved procedures.

Additionally, DOE and NNSA initiated the Balanced Score Card (BSC) and Objectives Matrix methodologies, respectively, to establish outcome oriented performance objectives with requirements to validate and substantiate system results. The purpose of this Peer Review Program is to provide the primary method for organizations to use when obtaining an independent and objective review of system results.

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## III. Goals:

- Translate vision into clear, measurable outcomes that define successes that will be recognized and shared throughout the DOE/NNSA complexes;
- Continue to shift from prescriptive, audit- and compliance-based oversight to an ongoing, forward-looking strategic partnership involving Headquarters, the field, and contractors;
- Provide a tool whereby the overall efficiency and effectiveness of business systems can be independently assessed for improved management and performance.

## IV. Objective:

A key objective in the Independent Peer Review Program is the partnering of federal and contractor personnel in evaluating the efficiency and effectiveness of contractor purchasing systems as defined in the prime contract, applicable statutes and regulations and as implemented by the contractor policies and procedures.

## V. Scope:

The Independent Peer Review Program involves periodic review of contractor purchasing systems and processes by an independent team of Federal and contractor personnel. The review is intended to be a comprehensive review of the purchasing system and, as applicable, related business systems, using standardized criteria as a guideline and other measures as requested by the contracting officer and the contractor purchasing official.

## VI. Roles and Responsibilities

### 1. DOE/NNSA Contracting Officer:

These officials have the responsibility for approval and oversight of contractors' purchasing systems. As such, they should be integrally involved in the planning, execution, and appropriate follow up of the peer reviews. While the Independent Peer Review Program is the primary method for conducting independent contractor purchasing system reviews, alternate approaches approved by the Senior Procurement Executive, may be used in lieu of this Program.

### 2. Contractor:

Each contractor is responsible for establishing and maintaining purchasing systems and processes that meet the contract requirements. Contractors are responsible for maintaining approved policies and procedures, implementing and conducting credible, documented self-assessments of their purchasing processes and other related business systems, to include problem analyses and improvement planning to ensure compliance with prime contract requirements.

### 3. Procurement Evaluation & Reengineering Team (PERT):

PERT is responsible for the continued development, improvement, implementation and reporting for the DOE/NNSA/Contractor Independent Peer Review Program.

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## 4. Peer Review Team:

The Peer Review Team (PRT) is a sub-team to the PERT and is responsible for providing assistance to DOE, NNSA and contractor offices in conducting independent purchasing system validations and verifications. The PRT is responsible for maintaining a current roster of Team Leads, team members, tracking and trending report results by publishing on the PERT Homepage the results of areas tracked and "best practices" identified at the sites reviewed.

## VII. PERT Peer Review Operations:

### Team Formation

#### Team Lead Qualifications/Requirements

1. Desire to be a team lead.
2. Participated as a team member in a minimum of two PERT Peer Reviews.
3. Possess recent and relevant procurement experience in one of the following areas: senior contracts manager or senior federal contracting personnel with recent (5 years) experience in conducting self-assessments and procurement reviews of DOE/NNSA federal or contractor offices.
4. Receive training/orientation on Team Lead responsibilities and on the Independent Peer Review Program.
5. Execute a non-disclosure/conflict of interest statement.

#### Team Member Participation Requirements

1. Nominated by contracting officers, contractor purchasing managers, procurement executives, CPC, or NNSA Contractor Forum by submitting a request and resume to the PRT.
2. By nominating individuals, the nominator acknowledges that the individual is qualified, and will be allotted the time and funding to participate.
3. Possess at least 5 years of DOE/NNSA procurement experience in contractor purchasing or federal contracting.
4. Receive training/orientation from Team Lead on the Independent Peer Review Program.
5. Execute a non-disclosure/conflict of interest statement.

Developmental participation is highly encouraged and will be permitted at the discretion of the Team Lead.

### Team Responsibilities:

The PERT Co-chairs, based on an annual schedule provided by the Procurement Executive, will notify the PRT of the upcoming Peer Review at least one hundred (100) calendar days in advance beginning in Fiscal Year 2005.

The PRT will maintain established lists for Team Leads and team members and gain concurrence of appointments from contractor purchasing managers and contracting officers. Either the PRT or the Team Lead will issue a PERT data call letter (See Hotlink), to the contracting officer and contractor's purchasing manager at least ninety (90) calendar days prior to the scheduled review. The response to the data call is due to the Team Lead at least sixty (60) calendar days prior to the scheduled review.

The use of subcontractors to augment the Peer Review Team is acceptable, provided the Senior Procurement Executive approval is obtained in advance.

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## Conduct of Review:

The Team Lead is the final authority regarding all operational aspects of the review, including the scope, conduct, and operation of the review. In addition, the Team Lead is responsible for the following:

- Orientation of the team members,
- Coordinating the review of the data call information with the team members,
- Applying the uniform criteria provided in Attachment 1, Contractor Purchasing System Assurance Criteria, as applicable,
- Determining the scope of the assessment with input from the contracting officer and contractor's purchasing manager (Any limits on the scope of assessment must be approved by the Head of the Contracting Activity),
- Conducting the review of the contractor management systems, business systems, integrated quality assurance approach and self-assessment programs through the use of document reviews, system demonstrations, interviews, data validation, and transactional analysis,
- Scheduling entrance, daily, and exit briefings, demonstrations, interviews, data/document collection, etc.,
- Providing a draft report of findings and observations to the contracting officer and contractor's purchasing manager at the exit briefing,
- Providing the contracting officer and contractor's purchasing manager seven (7) working days from the exit briefing to provide comments on the draft report of findings and observations,
- Resolving site comments,
- Issuing the final report within 30 days of the exit briefing, and
- Distributing the final report to the contracting officer, contractor's purchasing manager, PERT Co-chairs, and the appropriate Senior Procurement Executive.

## VIII. Scope and Reporting:

### 1. Scope and Review Criteria:

Major Site and Facility Management Contractors and Management and Operating (M&O) Contractors have latitude in establishing and maintaining contractor purchasing systems and incorporating the best commercial purchasing procedures and practices that best meet the site's needs. Other varying factors are the past performance of the contractor, and the volume, complexity, and dollar value of the subcontracts. Consequently, the development of a set of criteria that can be used for ALL sites without modification is neither practicable nor desirable. Therefore, the Contractor Purchasing System Assurance Criteria, (See Hotlink), may be modified to accommodate the purchasing characteristics of each site.

The Team Lead should request input from the site contracting officer and contractor purchasing manager on suggested changes to the standard set of criteria. The Senior Procurement Executives may also provide input on the scope of the assessment.

For those contractors participating in the DOE Balanced Scorecard Program, the Team Lead will be responsible for validating the most recent assessment results submitted under this program.

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## 2. Final Report Format:

A report template has been prepared to assist the review team in preparing final reports (See Hotlink).

## 3. PERT Data Call Letter:

A listing of PERT data items required prior to conducting the Independent Peer Review (See Hotlink).