



Department of Energy
Thomas Jefferson Site Office
12000 Jefferson Avenue, Suite 14
Newport News, Virginia 23606

January 11, 2010

Dr. Hugh E. Montgomery
President and Laboratory Director
Jefferson Science Associates, LLC
Thomas Jefferson National Accelerator Facility
12000 Jefferson Avenue
Newport News, VA 23606

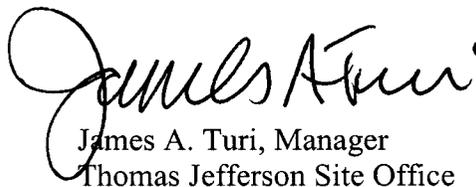
Dear Dr. Montgomery:

**CONTRACT DE-AC05-05OR23177, JEFFERSON SCIENCE ASSOCIATES, LLC,
FINANCIAL MANAGEMENT REVIEW**

The purpose of this letter is to transmit the Oak Ridge Financial Service Center (ORFSC) Financial Management Review (FMR) report. The purpose of the FMR is to gain an understanding of the contractor's systems for collecting and reporting financial data and for determining if policies and procedures comply with the Departmental guidance contained in the Department of Energy (DOE) management and operating contract and the DOE Accounting Handbook. The review assessed the Jefferson Science Associates, LLC (JSA) cash and payroll processing system. The FMR report contains a finding that JSA does not perform unannounced reviews of its petty cash fund as required by the DOE Accounting Handbook, and the FMR report states that JSA agreed to revise its procedures to implement unannounced verification of the petty cash fund, at least quarterly. Therefore, please provide a copy of the revised petty cash procedures.

If you have any questions, please contact Jerry McKeehan of the ORFSC at (865) 576-0863 or Dennis Brittin of my staff at extension 7173.

Sincerely,


James A. Turi, Manager
Thomas Jefferson Site Office

Enclosure

cc w/encl:
J. Scarcello

U.S. DEPARTMENT OF ENERGY
OAK RIDGE OFFICE OAK RIDGE FINANCIAL SERVICE CENTER
FINANCIAL LIAISON BRANCH

FINANCIAL MANAGEMENT REVIEW
OF THE THOMAS JEFFERSON NATIONAL ACCELERATOR FACILITY
JEFFERSON SCIENCE ASSOCIATES, LLC – DEAC05-06OR23177

Approved by:



for Timothy J. Southard, Director
Oak Ridge Financial Service Center

December 22, 2009

Background and Purpose

The Department of Energy's (DOE's) Financial Management Review (FMR) of its contractors was designed to be performed over a series of years by dividing the contractor's financial management system into "General Controls" and major event cycles. The purpose of the FMR is to gain an in-depth understanding of the Jefferson Science Associates (JSA) financial management system (FMS) for collecting and reporting financial data and for determining if the JSA policies and procedures comply with Departmental guidance contained in the DOE/JSA contract. Previous FMRs of the contractor included a comprehensive baseline review in Fiscal Year (FY) 2007 of all event cycles including General Controls, Cash, Letter of Credit, Accounts Receivable, Capital Assets and Inventories, Accounts Payable and Other Liabilities, Revenue, Payroll, Procurement, Travel, Cost Distribution and Allocation, Contract Management, and Budget; and a follow-up review in FY 2008 of the Cost Distribution and Allocation event cycle. This review concentrated on the Cash and Payroll event cycles.

The Thomas Jefferson National Accelerator Facility (Jefferson Lab) is a Federally Funded Research and Development Center maintained and operated by JSA under a management and operating (M&O) contract with DOE. Jefferson Lab has been in constant operation as a government research center since its inception. In general, Jefferson Lab is a government-owned facility managed by a contractor. The M&O concept provides the necessary flexibility that a research facility requires.

The DOE/JSA contract started on June 1, 2006. Jefferson Lab is a single purpose laboratory located in Newport News, Virginia. JSA uses Deltek Costpoint, a commercial-off-the-shelf-accounting software package, as a control for its policies, procedures, and practices.

Scope and Methodology

The Oak Ridge Financial Service Center (ORFSC) reviewed the JSA policies and procedures, implementation of these policies and procedures, and the daily operation within the event cycles selected. A small sample of transactions was traced through the system to gain a better understanding of each event cycle and to determine that internal controls are in place to ensure financial integrity of the data and safeguard assets. ORFSC also interviewed JSA financial staff to determine if actual practices were consistent with procedures and were adequately controlled.



ORFSC performed the FMS review to provide management with information for decision-making purposes. ORFSC limited its work, including tests and documentary evidence, in magnitude and detail.

Review Results/Conclusions

Based on the review, ORFSC found that cash and payroll transactions are accurately recorded in JSA's FMS. ORFSC also found that JSA conducts monthly verifications of the petty cash fund and has a policy in place to limit the use of the petty cash fund. However, JSA does not perform unannounced verifications as required by the DOE Accounting Handbook.

Findings and Recommendations

Finding

The DOE Accounting Handbook states that unannounced verifications of imprest fund balances should be made by independent persons at least quarterly to ensure that all funds are properly accounted for, that amounts are not in excess of current requirements, and that procedures are being followed that will adequately protect the funds from loss or misuse. Although JSA conducts monthly verifications of the petty cash fund, the verifications are not performed unannounced as required by the DOE Accounting Handbook.

Recommendation

JSA should revise its petty cash fund procedures to ensure unannounced verifications of the petty cash fund, at least quarterly.

Contractor's Response

JSA stated that it will revise its procedures to implement unannounced verifications of the petty cash fund, at least quarterly.

