

**Lawrence Berkeley National Laboratory  
Contract Assurance Council  
Monthly Meeting Minutes**

**Wednesday, December 13, 2006  
University of California—Office of the President  
Franklin Building, Room 9204**

*CAC members or representatives present:*

Bob Foley	Lynn Boland for Judy	Patrick Reed
Bob Van Ness	Boyette	John Layton, by phone
Buck Koonce	Bill Eklund	Al Diaz, by phone
Larry Coleman	Gary Falle for Bruce	
John Oakley	Darling (by phone)	

*CAC members absent:*

Anne Broome	Susan Thomas for Jeff
John Birely	Blair

*UCOP Staff:*

Jim Hirahara	Sharon Eklund
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*Guest participants:*

Dave McGraw, LBNL	Jim Krupnick, LBNL	Ron Nelson, UCOP
Jeffrey Fernandez, LBNL	John Chernowski, LBNL	

**Welcome/Action Items**

Bob Van Ness welcomed members and guests to the Contract Assurance Council (CAC) monthly meeting. Jim Hirahara reviewed the open action items:

- Item 19—Although the action lead, Sandy Merola, was unable to attend today, this topic was later discussed as part of David McGraw's presentation, and the item is considered closed;
- Item 21— Discussion of this item will be deferred to a future meeting since Howard Hatayama was unable to attend today;
- Item 22—Jeffrey Fernandez and Anne Broome still need to discuss this topic before the frequency of briefings on cost savings is determined;
- Item 24—The LBNL Advisory Board is meeting next week—Jim Krupnick will ask for clarification on operating ventures, and Ron Nelson will present on UCOP oversight plans at a future meeting;
- Items 25 and 26—These items are on today's agenda.

The Council members unanimously approved the minutes of the October 11, 2006, meeting as submitted.

## Supply Chain Cost Savings

Jeffrey Fernandez, LBNL CFO, answered various questions on his slide presentation with the following information:

- The range of projected cost savings is based on variations in commodity and service pricing, penetration rates, and speed of contract negotiations (among other factors).
- The “rules” regarding small business procurements have not proved to be an impediment to the cost savings efforts.
- LBNL has achieved some of the labor savings through
  - Reducing the number of “low-value” buyers from 24 to 12, largely through attrition (back-filling openings with term labor as needed), and
  - Closing Stores (causing no significant consequences) and reducing labor in Supply/Distribution;
- One assumption is that suppliers must be capable of an electronic “handshake” with LBNL systems.
- Expected commodity discounts range from 4 to 20%.
- LBNL participates on Anne Broome’s committee and is part of Strategic Sourcing. In fact, LBNL first considers vendors who are available in the University’s strategic sourcing program.
- The strategic sourcing vendors are being competitively selected, and the Lab is not locking into long-term commitments with them. This can assure that the contracts offer the best pricing alternatives through periodic, scheduled re-competition or sooner if interim market comparisons indicate a need.
- There is a Procurement and Supply Chain Committee on which each LBNL division is represented and which assures that the contracts fulfill the divisions’ needs and interests.
- LBNL is expecting a small variance (\$200M) with the projected savings--\$2.0M instead of \$2.2M.
- The eBuy system produces a suite of new purchase reports for analysis, and LBNL’s resource managers in various Lab organizational units perform financial analysis to provide “human controls” on purchasing.
- There are also limits on who has authority to purchase more than \$200 worth of goods.
- While it is possible to charge purchases against any open program code at the Lab, it is the responsibility of the line manager who “owns” each program code to review charges regularly for errors. Labor constitutes 75% of the charged costs, so it is relatively easy to check to see if the appropriate people are charging their effort to any code. LBNL has had two studies performed of the cost benefit of instituting electronic controls over charging to each account, and both studies found that the cost and bureaucracy of an electronic control system was not worth the benefit.

### Director's Retreat Recap

David McGraw, LBNL COO, reported that the retreat constituted the first time that senior level managers from UC-Berkeley participated in a Director's retreat. The retreat focused on shared issues, particularly near- and long-term scientific collaborations, several of which McGraw discussed in greater detail. Specific topics of interest to the Council included

- LBNL has funding for the Berkeley Lab Guest House, but they do not plan to break ground for another year after detail design is completed.
- The Joint Steering Committee, co-chaired by Graham Fleming and Beth Burnside, has initiated several sub-committees (including one on Environmental Health and Safety) to establish the infrastructure necessary for the Campus and the Lab to work together to solve shared issues (such as those raised by Principal Investigators [PIs]).
- McGraw also provided the pie chart that shows the universities of origin of the joint appointees.
- He explained that the senior management group understands integrated safety management, but the PIs still lack a strong understanding of the safety management principles.
- The Lab has developed new definitions in their Health and Safety Manual for line management and work lead safety responsibilities.
- Ray Ohrbach, DOE Undersecretary for Science, has stated that he wants to see more evidence of corporate involvement in safety.

### Wrap Up

Due to time limitations, McGraw was not able to complete the Director's Retreat Recap. The Council members agreed that McGraw should complete the remainder of his presentation at the next meeting, and the briefing on signature authority should be given then as well.

### Action Items:

#	Responsible Party	Action	Date Added	Status
21	McGraw/ Hatayama LBNL	Report on controlled substances process improvements.	06/14/06	<b>OPEN</b>

24	Krupnick LBNL  Nelson UCOP	<ul style="list-style-type: none"> <li>• Provide further detail on LBNL Advisory Board report (independent operating ventures and need for review of oversight mechanisms references).</li> <li>• Provide written response regarding operating ventures.</li> <li>• Discuss UCOP plan for oversight</li> </ul>	08/09/06  (modified 10/13/16)	J. Krupnick verified that the Board was referring to the LLC when using the term “independent operating ventures.”  <b>OPEN</b>
26	McGraw LBNL	Provide progress report on consolidation of authorities project and milestones for project completion.	09/13/06	<b>OPEN</b>
		<i>On-going Actions</i>		
5	Eklund UCOP	Schedule a ten-minute Executive Session at the close of each CAC quarterly meeting.	04/12/06	Quarterly Action
6	Eklund UCOP	Schedule quarterly CAC meetings to be held at LBNL.	04/12/06	Quarterly Action
7	Hirahara UCOP	Implement a call for agenda topics prior to each meeting.	04/12/06	Monthly Action
22	Fernandez LBNL Broome UCOP	<ul style="list-style-type: none"> <li>• Report quarterly on supply chain initiative planned cost savings versus actual.</li> <li>• Report on discussion regarding LBNL and UCOP purchasing alignment and economies of scale</li> </ul>	06/14/06	Quarterly Action
		<i>Completed or Cancelled Actions</i>		
1	Chernowski LBNL	Modify Risk Registry report to include a column in which BSO concurrence with the current status of the item can be indicated.	04/12/06	Cancelled
2	Chernowski LBNL	Plan C31 Risk Registry updates for the quarterly meetings and as-needed at the monthly meetings.	04/12/06	Done—next report at 07/12 meeting
3	Fernandez LBNL	Brief the Council on how LBNL is tracking cost savings and the current status.	04/12/06	Done—held on 6/14

4	Chernowski LBNL	Schedule a dry run of the presentation to senior LBNL and BSO management of second quarter performance. (UC-internal only).	04/12/06	Done—held on 05/02
8	Merola LBNL	Provide the Council with the number of LBNL PIs working with controlled substances.	05/10/06	Done—presented on 6/14
9	Merola LBNL	Provide the Council with the quantity of controlled substances ordered by LBNL annually.	05/10/06	Done—presented on 6/14
10	Merola LBNL	Provide the Council with the number of discrete locations where controlled substances are handled at LBNL.	05/10/06	Done—presented on 6/14
11	Hatayama LBNL	Personally review LBNL controlled substance and drug precursor processes and personnel to assure appropriate controls are in place—report back to CAC.	05/10/06	Done—presented on 6/14
12	Hatayama LBNL	Personally review LBNL select agent processes and personnel to assure appropriate controls are in place—report back to CAC.	05/10/06	Done—presented on 11/08
13	Eklund UCOP	Add <i>Select Agents</i> as a topic to a future CAC agenda.	05/10/06	Done—presented on 11/08
14	Eklund UCOP	Add <i>Accounts payable</i> as a topic to a future CAC agenda.	05/10/06	Done—presented on 7/12
15	Krupnick LBNL	Provide CAC with further detail on the thorium inventory and reportability.	05/10/06	Done—presented on 7/12
16	Merola LBNL	Provide LBNL Advisory Board report to CAC when complete.	05/10/06	Done—presented on 8/9
17	Hirahara LBNL	Invite Aundra Richards to 07/12 Quarterly CAC Meeting.	05/10/06	Done—discussed on 6/14
18	Koonce LBNL	Identify the UCOP senior management “owner” of the LBNL bonding issue.	05/10/06	Done—presented on 6/14
19	Merola/ Burnside LBNL	<ul style="list-style-type: none"> <li>Define operational requirements and associated agreements in regard to LBNL research on UCB campus. This includes ES&amp;H and other operational requirements.</li> <li>Share results of the upcoming meeting of the Burnside Committee.</li> </ul>	06/14/06  (modified 10/11/06)	Done—presented on 12/13

20	Merola LBNL	Explain how LBNL manages Principal Investigators.	06/14/06	Done—presented on 9/13
23	Koonce/ Eklund UCOP	Provide Susan Thomas, UC-GC, a copy of the policy and procedures regarding who in Purchasing should have access to the vendor master.	07/12/06	Done—sent on 07/19
25	McGraw LBNL	Provide Council members with the LBNL pie chart that indicates how many PIs are from various campuses and other universities.	09/13/06	Done—presented on 12/13
27	McGraw LBNL	Supply the Council members with a copy of the address Director Chu sent to LBNL PIs on the subject of their responsibilities.	09/13/06	Done—sent with September meeting minutes