



At a Glance

Catalyst for Improving the Environment

Why We Did This Examination

We conducted this examination to determine whether:

- The reported outlays fairly present, in all material respects, the allowable costs incurred under EPA cooperative agreement V99925204 (agreement); and
- California Department of Toxic Substances Control (State) complied with applicable laws, regulations, and terms of the agreement.

Background

EPA Region 9 awarded the agreement to the State on June 24, 2002, for Superfund site assessments and Brownfields activities. The initial award was \$640,000. The agreement was amended to reflect total project costs of \$1,340,000. The agreement had a budget period from July 1, 2002, to June 30, 2004.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

www.epa.gov/oig/reports/2005/20050908-2005-4-00099.pdf

California Department of Toxic Substances Control Reported Outlays under Cooperative Agreement V99925204

What We Found

In our opinion, with the exception of contract outlays, the outlays reported by the State present fairly, in all material respects, allowable costs incurred under the agreement. EPA has determined that the State performed the activities in the agreement's work plan and has complied with the agreement's deliverable requirements.

The State's procurement process needs improvement to ensure that contractual outlays reported were allowable and that contracts were negotiated and administered in accordance with Federal regulations. Specifically, the State did not: (1) perform cost or price analysis, (2) negotiate profit as a separate line item in the contract, (3) ensure that the contractors monitor their subcontracts, and (4) include all the required clauses in the contracts. The State also did not inform or require its contractors to comply with the Federal Cost Principles. As a result, the State was unable to demonstrate that the reported outlays for contractual services were "fair and reasonable" and we questioned reported contract outlays of \$215,946.

What We Recommend

We recommend that the Regional Administrator, EPA Region 9:

1. Disallow contract outlays of \$215,946 reported under the agreement.
2. Revoke the State's procurement system self-certification until adequate policies and procedures are in place to ensure compliance with Federal regulations and cost principles.
3. Review and approve all State solicitations and contracts under EPA grants and cooperative agreements, other than small purchases.
4. Determine the adequacy of actions taken by the State to update its procurement handbook, develop additional procurement policies, develop procedures for negotiating prices, and provide adequate training on procurement and contract management.

The State disagreed with recommendation 1 and concurred with recommendations 2 through 4.