



# **Office of Inspector General**

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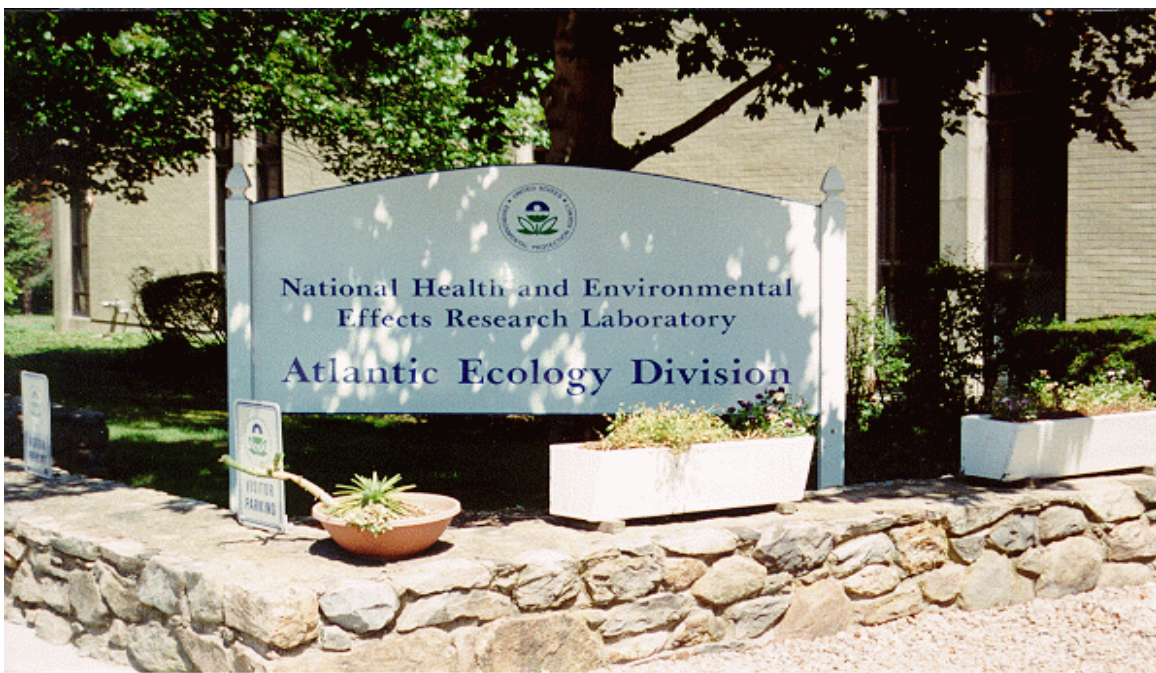
## **Audit Report**

### **OFFICE OF RESEARCH AND DEVELOPMENT**

#### **Audit of Extramural and Property Management at the Atlantic Ecology Division**

2000-P-00015

March 29, 2000



**Inspector General Division(s)  
Conducting the Audit**

**Eastern Audit Division  
Boston, Massachusetts**

**Program Office(s) Involved**

**Office of Research and Development,  
National Health & Environmental  
Effects Research Lab,  
Atlantic Ecology Division**

**Photograph:**

**Shannon Nichols, EAD**

## MEMORANDUM

SUBJECT: Audit of Extramural and Property Management at the  
Atlantic Ecology Division  
Audit Report No. 2000-P-00015

FROM: Paul D. McKechnie  
Divisional Inspector General  
Eastern Audit Division

TO: Norine E. Noonan, Ph.D.  
Assistant Administrator,  
Office of Research and Development

Attached is our audit report, Audit of Extramural and Property Management at the Atlantic Ecology Division. This report contains findings and recommendations that are important to the Atlantic Ecology Division within the Office of Research and Development.

This audit report represents the opinions of the Office of the Inspector General (OIG). Final determinations on recommendations in this audit report will be made by EPA managers in accordance with established EPA audit resolution procedures. Accordingly, the findings contained in this audit report do not necessarily represent the final EPA position.

### ACTION REQUIRED

In accordance with EPA Order 2750, you as the action official are required to provide this office a written response to the audit report within 90 days. Your response should address all recommendations, and include milestone dates for corrective actions planned, but not completed.

We have no objection to the release of this report to the public.

Should you or your staff have any questions about this report, please contact me or have your staff contact Linda Fuller, Team Leader at (617) 918-1470.

Attachment

## **EXECUTIVE SUMMARY**

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### **INTRODUCTION**

On June 16, 1993, the OIG issued its audit report, *Management of Extramural Resources at the Environmental Research Laboratory, Narragansett, Rhode Island*. The Environmental Research Laboratory is now the Atlantic Ecology Division (AED). The OIG's 1993 audit was part of a nationwide review of contract management practices at ORD laboratories. Significant findings were reported which included the: 1) appearance of incumbent favoritism in the procurement of contracts; 2) misuse of EPA research contracts, cooperative agreements, and interagency agreements; 3) inadequate contract management controls; and 4) other various administrative deficiencies. Due to the significance of the findings, the OIG conducted a review to determine if improvements were made in AED's management of contracts, cooperative agreements, and interagency agreements. Desiring to improve operations, AED personnel requested that we also review property management.

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### **OBJECTIVES**

The objectives of our review were to determine if AED:

1. provided adequate oversight of Contractors to assure that work was completed in accordance with contract provisions, the statement of work, and other applicable regulations;

2. properly used contracts, interagency agreements, and cooperative agreements as intended to help accomplish the Agency's research mission; and
3. adequately accounted for and safeguarded its property.

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## **RESULTS IN BRIEF**

Since our 1993 audit, AED made limited progress in implementing the recommendations in our prior report to improve the management of contracts, cooperative agreements and interagency agreements. If AED had better used their Extramural Management Specialist's (EMS') Event Cycle Reports, which identified internal control weaknesses, this report would not be necessary. However, the Acting Director was responsive to our recommendations and already started implementing various corrective actions at the time of our audit. AED recently hired personnel with stronger backgrounds in program administration and contract management who should help resolve some of the continuing problems. The following summaries provide further details of our findings.

### **Senior Management Needs to Improve Administrative Controls**

AED Senior Management did not adequately oversee administrative practices in contract and property management. Both the AED's Acting Director and Associate Director for Administrative Program Operations (ADPO) need to assure that policies and procedures are established and implemented so that contract and property management effectively supported the facility's science and research mission. The Acting Director's focus had been on

science/research. The ADPO is principally

responsible for administrative functions, however, AED was without a permanent ADPO from February 1996 until April 1998. Even though AED's EMS reported on contract and property management weaknesses in 1996, these issues were not addressed. As a result, contract and property resources were not used effectively. The Operations & Maintenance (O&M) Contractor did not provide all the services required or expected under the contract. Valuable property was left vulnerable to misuse or theft.

#### **Limited Improvement in Contract Management**

While AED's management of its ADP contract was adequate, management of its O&M contract continued to be seriously deficient. As a result, the O&M Contractor, not AED, controlled the work. The Contractor did not provide all services according to the contract. Until recently, the O&M Project Officers lacked either the skills or experience to effectively manage the contract.

#### **Improvements Needed in Property Management**

Improvements need to be made in AED's property management. We found that 1) custodial officer designations were out-dated; 2) annual inventories were not performed; and 3) the status of loaned equipment was unknown. The Property Officer and the EMS brought these weaknesses to the attention of Senior Management who did not take corrective action. Improving property management was not a priority. As a result, \$6,212,611 of accountable property was not safeguarded.

**Improvements Made in Oversight of Cooperative  
Agreements but Not Interagency Agreements**

AED made improvements in its oversight of cooperative agreements but not interagency agreements (IAGs). Funding for cooperative agreements reviewed was for appropriate AED activities (pre-doctoral and post-doctoral research). The Project Officer and Local Site Representative diligently monitored grant activities and maintained adequate documentation to assure that the terms of the agreements were met. As a result, these cooperative agreements helped fulfill AED's research mission to support science. Specifically, these agreements supported training and development of young environmental scientists who conducted environmental and ecological research.

The Project Officer for the IAG, however, did not assure that status reports or support for costs were received and reviewed. The IAG Project Officer admitted that he was remiss in carrying out his responsibilities. As a result, we could not confirm if progress was made in AED's oversight of IAGs.

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**RECOMMENDATIONS**

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We recommend that the AED Director:

1. Instruct the ADPO to establish contract and property management procedures which will ensure that staff, contract, and property resources are used effectively and that property is safeguarded. Also, the ADPO should ensure that the procedures are followed and delivering results.
2. Take appropriate action if staff does not perform in accordance with established



procedures and performance agreements.

3. Develop a formal system to resolve weaknesses identified in Event Cycle Reports. A corrective action plan should be developed with specific staff identified to carry out actions. Milestones should be set and progress along with success should be measured.
4. Seek out expert assistance from Headquarters, Research Triangle Park, etc.

At the end of each Chapter, specific recommendations have been included to improve 1) contract monitoring, 2) property management, and 3) IAG monitoring.

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**AGENCY COMMENTS  
AND OIG EVALUATION**

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A teleconference was held with the Office of Research and Development (ORD) and the OIG staff on March 1, 2000 to discuss the draft audit report's findings. On March 16, 2000, the Assistant Administrator (AA) responded to our draft report. The AA stated that, in general, ORD concurred with the report's findings and recommendations. We incorporated some of ORD's comments into our findings and also included a section summarizing ORD's comments and our evaluations at the end of each finding. ORD's response is attached in its entirety as Appendix 4.

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## **ABBREVIATIONS**

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AA	Assistant Administrator
ADPO	Associate Director for Project Operations
AED	Atlantic Ecology Division
CMD	Contract Management Division
CO	Contracting Officer (or Office)
EAD	Eastern Audit Division
EMS	Extramural Management Specialist
EPA	Environmental Protection Agency
FAIR	Facilities Administration and Information Resources
FMFIA	Federal Managers' Financial Integrity Act
IAG	Interagency Agreement
IDP	Individual Development Plan
IFMS	Integrated Financial Management System
NHEERL	National Health & Environmental Effects Research Laboratory
NOAA	National Oceanic and Atmospheric Administration
NRC	National Research Council
OIG	Office of the Inspector General

O&M	Operations & Maintenance
ORD	Office of Research and Development
PO	Project Officer
PPAS	Personal Property Accountability System
RLA	Revocable License Agreement
RTP	Research Triangle Park
SOW	Statement of Work
URI	University of Rhode Island

# CHAPTER 1

## INTRODUCTION

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### **PURPOSE**

The OIG conducts follow-up audits of prior significant reports to determine if auditees have successfully implemented recommendations. On June 16, 1993, the OIG issued its audit report, *Management of Extramural Resources at the Environmental Research Laboratory* [now the Atlantic Ecology Division (AED)], *Narragansett, Rhode Island*. Significant findings were reported in contractor selection, contract management, and various administrative practices.

We conducted a limited follow up review of contract, cooperative agreement, and interagency agreement management practices at AED. We also reviewed property management upon the request of AED staff who desired to improve operations.

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### **BACKGROUND**

The Office of Research and Development (ORD) provides the scientific foundation to support EPA's mission with research and development, technical support, integration of scientific information and anticipatory research. Since our last audit, ORD reorganized in 1995 which changed the Narragansett laboratory's organization and mission. It became the Atlantic Ecology Division, one of nine divisions within ORD's National Health & Environmental Effects Research Laboratory (NHEERL) which performs high quality effect-based research to improve the Agency's ability to make decisions about health and ecological risk. AED's new mission was to study the effects of

contaminants and other stressors on the coastal waters and watersheds of the Atlantic seaboard.

Under the supervision of the NHEERL Associate Director for Ecology, AED's Director is supported by an Associate Director for Program Operations and an Associate Director for Research. The Associate Director for Research has been the Acting Director for six years. AED is composed of three branches: 1) Ecosystems Analysis and Simulation Branch, 2) Ecological Response Branch, and 3) Indicator Development Branch. An Extramural Management Specialist (EMS) reports to the AED Director. The EMS provides guidance on extramural management and carries out other administrative duties. AED employs 82 Federal employees at Narragansett, Rhode Island as well as two employees at its Annapolis, Maryland site.

As of Federal Fiscal Year 1999, the following extramural resources were administered at the Narragansett site. (These figures do not include resources administered at the Annapolis site.)

<b>Contracts</b>		<b>Dollar Value</b>
Operations & Maintenance		\$3,911,901
ADP		1,803,530
Guards		853,536
Janitorial		488,572
Glassroom		196,800
Library		101,964
	<b>TOTAL</b>	<b>\$7,356,303</b>
<b>Interagency Agreements</b>		<b>Dollar Value</b>
NOAA		\$ 325,000
National Marine Fisheries		56,770
Department of Health & Human Services		9,619
	<b>TOTAL</b>	<b>\$ 391,389</b>
<b>Cooperative Agreements</b>		<b>Dollar Value</b>
University of Rhode Island		\$1,000,000
National Senior Citizens Education & Research Center		700,000
National Academy of Science		165,000
National Academy of Science		50,000
	<b>TOTAL</b>	<b>\$1,915,000</b>



**SCOPE AND  
METHODOLOGY**

We performed this audit in accordance with *Government Auditing Standards (1994 Revision)* issued by the Comptroller General of the United States as they apply to performance audits. Our review included tests of the program records and other auditing procedures we considered necessary.

We conducted audit work at EPA's National Health and Environmental Effects Research Laboratory (NHEERL), AED located in Narragansett, Rhode Island.

We reviewed AED files containing work orders and invoices for the Operations and Maintenance (O&M) and Facilities Administration and Information Resources (FAIR) contracts. We determined from work orders, invoices and interviews whether improvements were made in contract management since the 1993 OIG report. We interviewed key personnel at AED, including the Acting Director, ADPO, Project Officers, Alternate Project Officers, and EMS. At AED, we interviewed the Contracting Officer from EPA's Research Triangle Park, North Carolina.

For the O&M contract, we reviewed 100 percent of the Fiscal Year 1997 work orders to determine the designated priority of the tasks. We reviewed every 10<sup>th</sup> work order to determine if the final work by the Contractor was accepted by AED. For Fiscal Year 1999, we reviewed all the work orders through May 10, 1999 to determine the amount of time it took to complete the task and if there was an acceptance signature from the Project Officer. Finally, we reviewed Fiscal Year 1999 invoices through June 6, 1999 to determine if Contractor costs claimed were allowable.

For the FAIR contract, we judgmentally sampled 25 of 95 (26 percent) work orders issued between January and May 1999 to determine if work was completed timely. Additionally, we reviewed a judgmental sample of invoices from Fiscal Years 1998 and 1999 to determine if all costs claimed were properly supported.

We reviewed Fiscal Years 1998 and 1999 (September through May) procurement requests to determine if services and supplies included in the O&M contract were purchased from other sources. The Project Officer assisted us in our review.

We selected two of four cooperative agreements and one of three interagency agreements for review. Agreements with the highest dollar values were selected. We interviewed Project Officers and the Local Site Representative. We reviewed progress reports, invoices and other pertinent information to determine if extramural funds were used for their intended purposes.

A training report from ORD Management Information System was scanned for employees who had taken many college courses. We reviewed the form SF-182, Training Request Form, for Fiscal Years 1997 through 1999 for those employees with many college courses to determine training objectives. We interviewed the Acting Director, ADPO, and Personnel Assistant regarding policies and procedures for attending training classes at universities.

We used the Integrated Financial Management System (IFMS) to determine when property information was entered into the system. Specifically, we reviewed all the capital equipment. We also reviewed large dollar purchase orders for Fiscal Years 1998 and 1999 to determine when the

equipment was entered into IFMS. We compared the 1997 Personal property Accountability System (PPAS) and 1999 IFMS inventory printouts.

With the AED Property Officer, we conducted an unannounced inventory using July 8, 1999 IFMS inventory reports.

We used the 1996 U.S. EPA Safety, Health, & Environmental Review and discussed those findings with AED's Safety Officer.

As part of our evaluation, we reviewed AED's Fiscal Years 1996, 1997, and 1998 Federal Managers' Financial Integrity Act (FMFIA) Assurance Letters. In Fiscal Years 1996 and 1997, there were no material weaknesses related to our review. The Fiscal Year 1998 letter identified the retirement of the Facilities Manager as a vulnerability to monitoring contractor performance. The Fiscal Year 1998 letter also reported that AED considered past OIG findings resolved. Based on our findings and the findings reported in 1996 by AED's EMS, these FMFIA reports did not adequately identify AED's internal control weaknesses. For further details, see Chapters 2 through 5.

Our fieldwork was performed from May 17, 1999 to August 20, 1999.

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**PRIOR AUDIT  
COVERAGE**

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On June 16, 1993, the Eastern Audit Division issued *Management of Extramural Resources at the Environmental Research Laboratory, Narragansett, Rhode Island* (Audit Report No. E1JBF2-01-0275-3100236). We reported findings of favoritism in contract procurement; inadequate contract, IAG, and cooperative agreement management; as well as other

poor administrative practices. This audit was part of a nationwide review of contract management at ORD laboratories.

NHEERL conducted management reviews of AED, issuing reports dated March 1995 and September 29, 1998. The reviews assessed AED's use of its resources and compliance with applicable laws, regulations, and Agency policy. The reviews also assessed management controls and procedures to determine whether established controls and procedures were functioning effectively. In general, NHEERL reported that AED made improvements in extramural management. However, NHEERL also provided recommendations to AED to improve certain aspects of its contract management. No findings or recommendations were reported on property management.

## **CHAPTER 2**

### **SENIOR MANAGEMENT NEEDS TO IMPROVE ADMINISTRATIVE CONTROLS**

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AED Senior Management did not adequately oversee administrative practices in contract and property management. Both the AED's Acting Director and Associate Director for Administrative Program Operations (ADPO) did not assure that policies and procedures were established and implemented so that contract and property management effectively supported the facility's science and research mission. The Acting Director's focus had been on science/research. The ADPO is principally responsible for administrative functions, however, AED was without a permanent ADPO from February 1996 until April 1998. Even though AED's Extramural Management Specialist (EMS) reported on contract and property management weaknesses in 1996, these weaknesses were not corrected. As a result, contract and property resources were not used effectively. The O&M Contractor did not provide all the services required or expected under the contract. Valuable property was left vulnerable to misuse or theft.

According to *ORD* [Office of Research and Development] *Policies and Procedures Manual* Chapter 4, Section I:

It is ORD policy that all extramural instruments are managed in such a manner as to promote the highest level of scientific and engineering

excellence while adhering to all applicable Federal and Agency regulations, policies, procedures and guidance.

The Acting Director's Position Description provides as part of major duties and responsibilities:

Assesses needs, defines goals, develops program plans, and establishes organizational structure of the Division; delegates authority and responsibility; establishes overall operating policies, priorities, and procedures; develops long- and short-range plans and projects; allocates dollar and manpower resources within broad budgetary limitations; establishes optimum intramural vs. extramural (contract and grant effort) balance; directs, coordinates and reviews all Division conducted or directed activities; and reviews and evaluates progress and performance of those activities and takes independent corrective actions, as necessary. Incumbent selects, assigns and provides leadership, direction and guidance to a multi-disciplined staff to achieve assigned program objectives.

The ADPO Position Description states that the incumbent provides:

... service-oriented research and administrative support which facilitates high quality science in pursuit of the research mission of the Division.

Additionally, the ADPO is responsible for contract, grant and interagency agreement management; scientific equipment management; procurement, supply and property management among several other services.

The ADPO is a key position in assuring that AED has good administrative management. This position was not filled on a permanent basis from 1996 to 1998. The ORD Assistant Administrator stated, "The vacancy of this critical administrative supervisory position exacerbated the timeliness and effectiveness of AED's ability to remedy problems in both extramural and property management." ORD provided the following background information:

AED was without a permanent ADPO from February 1996 until April 1998. This staffing limitation is critical to understanding the delays in dealing with all of the issues raised in this report. On February 18, 1996 the ADPO transferred to the AED detachment in Annapolis, MD. An Acting ADPO was put into place; however, he had limited management experience and was required to maintain the workload for his position of record along with serving as the Acting ADPO. AED began the recruitment process to fill the ADPO position on a permanent basis on April 28, 1997. The Merit Promotion closed on July 28, 1997 and the [Office of Personnel Management] OPM Vacancy closed on August 15, 1997. Because this position is critical to improving management and operations at AED, the interview process was extensive and time consuming. The position was not filled until April 19, 1998.

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**Progress Since OIG Report**

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In our June 16, 1993 audit report, *Management of Extramural Resources at the Environmental Research Laboratory, Narragansett, Rhode Island*, we reported that contract management controls were inadequate;

research contracts, cooperative agreements, and interagency agreements were misused and other administrative practices were deficient. As a result of our review, ORD management issued various guidance and policy statements to its staff.

On November 16, 1993, the Acting Assistant Administrator for Research and Development wrote to all ORD employees:

It has been and is the responsibility of the Federal employees who manage these funds to assure that they are expended in accordance with the relevant Federal laws and regulations and Agency policies and procedures. Consequently when EPA scientists become involved with expending extramural funds they must assume the related management responsibility. And just as good science requires well documented data, good management of Federal funds also requires documentation and adherence to establish management procedures and controls.

Our follow-up evaluated progress made in the area of contract, cooperative agreement, and interagency agreement management. Property management was added to our review upon request of AED staff who desired to improve operations in this area.

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## **Contract Management**

Since our 1993 audit, AED continued to have problems in managing its O&M contract. AED took the corrective actions that were necessary to close out the audit findings. Training and guidance material on proper contracting procedures were provided to Project Officers. Additionally, the EMS position was



created to serve as an advisor to the Acting Director on all extramural management issues, policies and procedures as they related to the organization's operations. However, these actions did not resolve the issue of poor contract management. AED management did not ensure that corrective actions taken were successful.

The Acting Director said he had been assured by his managers that corrective actions were in place. Also, he stated that science was the principal purpose of the lab. It was his opinion that the lab had been well serviced and maintained by the O&M Contractor with the PO's oversight. The lab had "not lost any major research milestones due to any facility systems failures." He believed problems with contract management continued because:

- 1) the Acting ADPO was not fully qualified;
- 2) the PO did not possess good contract management skills; and
- 3) the contract was poorly written.

For approximately two years (from 1996 until April 1998), the ADPO position was temporarily filled by an AED employee with a scientific background. According to the Acting Director, this ADPO lacked the management skills necessary to deal with difficult situations, such as a PO who lacked good contract management skills. There was no one else at AED with the proper background who could replace the PO.

The O&M contract's Statement of Work was written by the ADPO (an individual hired on a permanent basis prior to the acting ADPO) and the PO. EPA's Contract Specialist from RTP described the contract's

Statement of Work as “vague” and “ambiguous”. The Contracting Officer believed that this poorly written contract prevented EPA from holding the Contractor accountable for various activities (See Chapter 3).

The Acting Director believed EPA's Contract Management Division did not provide adequate assistance.

AED Senior Management needs to seek out assistance from the appropriate EPA office which can provide the specialized administrative expertise that AED lacks. If AED believes such offices are not fulfilling their responsibilities, again, it is up to Senior Management to work out issues with their counterparts or, if appropriate, to elevate issues to higher management.

AED Senior Management believed they now have an O&M Project Officer with a strong contract background.

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**Cooperative Agreement and  
Interagency Agreement  
Management**

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Progress was made in management of cooperative agreements but not interagency agreements. The Project Officers responsible for cooperative agreements monitored their projects, thus assuring that the projects achieved their intended purpose. Also, AED implemented audit recommendations to abolish funding of ineligible activities such as training for advanced degrees and day-care for non-federal employee children. However, the IAG Project Officer did not obtain and review project status reports or support for project costs. He believed the progress and costs were reasonable based upon his knowledge of the project but we could not confirm without documentation. (See Chapter 5)

**Corrective Actions Taken**

The Acting Director was responsive to our findings and started implementing corrective actions at the time of our review. Also, prior to our review, AED hired a new ADPO and contract Project Officer with strong backgrounds in their respective areas. We believe the current AED staff in general is motivated to carry out their responsibilities. However, Senior Management needs to be more attentive to staff concerns in administrative areas. While science may be Senior Management's focus, they are also responsible for assuring that Agency resources are effectively utilized as well as protected from waste, fraud, and mismanagement; and that all Federal laws and regulations are followed (May 13, 1998 EPA Order 1000.24 CHG1).

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**Event Cycle Reports  
Not Addressed**

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As part of AED's FMFIA process, the EMS prepared Event Cycle reports which identified weaknesses in an accountable area and provided recommendations for improvement. Event Cycle reports were issued for contract management on June 13, 1996 and property management on April 22, 1996. These reports were well documented and presented. However, weaknesses identified in 1996 continued in 1999. AED Senior Management needs to develop a formal resolution process to take full advantage of this asset.

**Contract Management**

In the contract management report, the EMS concluded:

Overall, the Director should feel the need to update this area of accountability. The items noted above are repeated from the last Office of Inspector General report. No corrective action appears to have been taken.

The EMS also wrote, "There were instances of the appearance of fraud, waste or abuse." The EMS' report was based upon a review of the O&M contract. Several recommendations were made to improve the performance of the Project Officer. This Project Officer was also responsible for the O&M contract during the prior OIG audit.

The EMS gave a presentation of her findings to the Acting Director and ADPO on June 26, 1996. The Project Officer responded in writing to the EMS's findings and recommendations on August 6, 1996. The EMS was not satisfied with the PO's written response. Another meeting was held on October 14, 1996. The EMS said there was no formal written agreement among the parties on appropriate resolution.

The Acting Director said the ADPO and he met on a weekly basis with the PO to assist him. However, the Acting Director also stated that the individual did not possess good contract management skills, but was doing his best.

This individual eventually retired in August 1998. Subsequently, two people who had limited contract management experience were assigned the PO duties until a permanent PO was assigned in July 1999.

There was no satisfactory resolution to the EMS report. Poor contractor oversight continued from 1996 to 1999 (See Chapter 3).

#### **Property Management**

The Acting Director said he did not realize that there were serious problems with property management. He based his opinion on the EMS April 22, 1996 Event Cycle report. In our opinion, the EMS' report conclusion did not adequately convey the

seriousness of her findings and may have contributed to the Acting Director's view. The EMS concluded:

There are multiple instances where specific Property is not fully in compliance with regulations and the system lacks sufficient safeguards in place to ensure compliance with regulations. ... The majority of the items noted above are minor in nature.

We disagree with her conclusion that the issues were minor in nature based upon what she wrote in the body of her report. The EMS wrote that while there were no obvious instances of fraud, waste or abuse, "the potential for such instances is definitely there." She also wrote, "Written policies and procedures are not in place for effective property control."

However, regardless of the tone of the conclusion, the report contained recommendations which needed to be addressed. As of our review in 1999, these recommendations were still outstanding. Findings which had been reported in 1996 continued into 1999 (See Chapter 4).

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**NHEERL Management  
Review**

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In its September 29, 1998 Management Review of AED, NHEERL expressed concern with the amount of documentation the EMS generated in her reviews. NHEERL wrote:

The review team found an abundance of evidence in the files documenting the EMS' audit efforts. It is evident that in all cases, the EMS thoroughly researches each situation and

prepares written documentation describing the results of her research. This documentation cites federal regulation, policy, rulings, etc. Unfortunately, this review team found the level of documentation to be somewhat overwhelming.

NHEERL then recommended that the EMS ensure that a less paper intensive means of advising AED staff with extramural issues is provided. It further stated that the EMS should work toward the goal of evolving into more of an advisory and/or counseling role. AED responded that EMS did work in the capacity of an advisor/counselor and preferred to keep documentation for reference. NHEERL then stated:

While the EMS may choose to keep this extensive background documentation in her files, we recommend that a more concise record of counsel and/or advice be provided to extramural managers.

We are concerned that NHEERL's comments may impair one of AED's effective means of overseeing extramural management. In our opinion, the EMS did a good job of identifying area weaknesses and providing recommendations. AED now needs to establish a formal system to assure that the recommendations are carried out. We would not be writing this report if the 1996 EMS recommendations had been resolved.

## **CONCLUSION**

Since the 1993 OIG audit report, AED made progress in cooperative agreement management but limited progress in contract management. While the issue of property management had not been reported in the OIG report, it was an outstanding issue back to the 1996 EMS report. AED management believed that recently hired staff would help to improve operations. However, even the most qualified staff need management support. In our 1993 report, we concluded that:

... a major contributing cause that permeates all of the issues at Narragansett is the attitude exhibited by senior management officials that compliance with rules and regulations interferes with science and research. This attitude must change if Narragansett is to improve its management of contract activities.

We believe this attitude still exists to the detriment of administrative operations. Administrative functions are not given the attention required to assure that resources are being effectively used. Good administration supports the scientific mission of the lab. AED has staff committed to their duties, but they also need senior management's support.

---

## **RECOMMENDATIONS**

We recommend that the AED Director:

1. Instruct the ADPO to establish contract and property management procedures which will ensure that staff, contract, and property resources are used effectively and that property is safeguarded. Also, the ADPO should ensure that the procedures are followed and delivering results.

2. Take appropriate action if staff does not perform in accordance with established procedures and performance agreements.
  3. Develop a formal system to resolve weaknesses identified in Event Cycle Reports. A corrective action plan should be developed with specific staff identified to carry out actions. Milestones should be set and progress along with success should be measured.
  4. Seek out expert assistance from Headquarters, Research Triangle Park, etc.
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**ORD RESPONSE**

ORD's Assistant Administrator (AA) responded:

ORD considers OIG audits very seriously. We look upon them as an opportunity to identify areas of improvement. While "sound science" is our goal as an organization, we strongly believe that it must be achieved with quality management of our resources. For that reason, we were concerned by the statements in the draft report attributed to the AED Acting Director. I assure you that these management issues are given the highest priority in all ORD organizations, including NHEERL.

Regarding contracting, the AA wrote:

The contract management vulnerabilities described in this report were initially raised by the AED Extramural Management Specialist (EMS), in June 1996. Also, AED contractual problems were carefully outlined in a 1997 NHEERL Management Review. We are



currently implementing corrective action in this area.

Finally, we believe that AED has made considerable improvement in overall extramural management. Largely, the weaknesses discussed in the 1993 OIG audit have not reoccurred. We are concerned that the current draft report makes general conclusions about AED's contract management progress based on AED's problems with a single contract (O&M), which had already been identified by both the EMS and an NHEERL Management Review. Moreover, at the time of the OIG audit, significant corrective actions had been made or were in progress. For example, a new Project Officer was hired and a new contract was in the solicitation process. Further, as we discussed in our teleconference, we strongly believe that the Contract Management Division shares our responsibility for the effective contract management.

Regarding property management, the AA reported that since the time of the audit, AED made significant progress in strengthening this area.

For both areas, the AA wrote:

ORD believes it is important that the final audit report reflect the staffing difficulties that AED was experiencing throughout its contractual and property problems. The report should show that AED was without a permanent Associate Director for program operations from February 1996 to April 1998. The vacancy of this critical administrative supervisory position exacerbated the timeliness and effectiveness

of AED's ability to remedy problems in both extramural and property management.

Additionally, further clarification was provided on NHEERL's Management Review comments regarding the EMS reviews:

The NHEERL Management Review report did not question the EMS's reviews of extramural management. That is one of the important duties of the EMS. What was of concern in the review was the **effectiveness** of the extensive documentation that the EMS put in the PO's files as a result of the review. The NHEERL Management Review recommended that a more concise and effective means of communication (e.g., advising, counseling) be utilized by the EMS to help the AED PO's in solving their extramural management problems.

ORD also provided a Correction Action Plan (See Appendix 4) responding to each of the finding's recommendations.

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## **OIG EVALUATION**

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We are pleased that ORD gives the highest priority to management issues. We encourage ORD to continue to emphasize this view to AED. It was our opinion based not only upon the Acting Director's comments, but also his actions, that administrative issues did not receive adequate attention. For example, the EMS' report recommendations were not fully implemented. Also, the Property Manager's concerns were not timely acted upon.

The OIG initially reported that AED's contract management controls were inadequate in 1993. The EMS reported in 1996 that there appeared to be no corrective action taken since the 1993 OIG audit and that contract management was an accountable area which needed to be updated. NHEERL management reviews continued to report on contract management deficiencies until 1998. While we reported that AED made some improvements in contract management, its management of the O&M contract continued to be deficient since 1993. In our opinion, this was too long a period of time for continued weaknesses to exist, particularly when NHEERL's/AED's staff pointed out these weaknesses.

While the ADPO position was vacant for over two years, the position was filled with a permanent manager during the time of the OIG audit to 1996. ORD did not explain why it took more than a year to start the recruitment process for this position. However, while having someone in this position is important, AED also needs to assure that good contract and property management procedures are in place which can also help to keep operations running effectively.

The audit report already included the information that the ADPO position was vacant for two years. However, per request of ORD, we included in the finding a paragraph prepared by ORD regarding this issue.

The scope of our audit did not include a review of Contract Management Division (CMD) activities. However, if AED believes CMD is not fulfilling its responsibilities, then AED Senior Management should deal with this problem at the appropriate management level.

We concur with ORD's actions to improve property management.

Regarding the effectiveness of the EMS' documentation of her reviews, we continue to support the EMS' position. We believe documentation is important to clearly support recommendations which may be proposed.

We generally concur with ORD's Corrective Actions for this Chapter. However, based upon ORD's response, we need to clarify Recommendation 1. This recommendation was not specifically referring to providing contractors with government property. Rather, we believe, AED needs to have strong procedures in contract management *and* property management which will provide for consistent and effective operations in these two areas. Points 2 and 3 of AED's response generally address Recommendation 1 except for not specifically noting that contract procedures will be reviewed and updated as appropriate.

## **CHAPTER 3**

### **LIMITED IMPROVEMENT IN CONTRACT MANAGEMENT**

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AED's progress in improving contract management was limited. While management of the ADP contract was adequate, management of the Operations & Maintenance (O&M) contract continued to be seriously deficient. The Project Officer did not ensure that the Contractor provided all contracted services and in some cases, separately procured work already included in the O&M contract. Until recently, the O&M Project Officers lacked either the skills or experience necessary to effectively manage the contract. Senior Management did not ensure that these Project Officers had access to the appropriate technical expertise needed to properly evaluate a Contractor's performance.

"The Project Officer is the primary representative of the Contracting Officer for a contract," according to EPA's *Contracts Management Manual*, Chapter 7, Paragraph 3c. Among other duties, the Project Officer is responsible for monitoring compliance with the contract and recommending modifications of the contract to the Contracting Officer as needed.

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#### **Prior Audit Findings**

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Our June 16, 1993 audit report, *Management of Extramural Resources at the Environmental Research Laboratory, Narragansett, Rhode Island* reported that contract management controls were inadequate. Project Officers at Narragansett did not properly manage the work and activities performed by the Contractors. The Project Officers: (1) allowed

contract employees to perform inherently government functions; (2) did not control Contractor costs; and (3) did not monitor Contractor work.

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**EMS Report Findings**

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In her June 13, 1996 Event Cycle Report on Contract Management, the EMS reported: "Overall, the accountable area has many issues to be resolved. There were instances of the appearance of fraud, waste, or abuse." She concluded: "The items noted above are repeated from the last Office of Inspector General report. No corrective action appears to have been taken." The EMS report specifically covered management of the O&M contract. Deficiencies reported included: inadequate management of work orders; EPA approved unallowable expenses; personal services performed by the Contractor; and outside Contractors tasked with work assignments by the O&M Contractor rather than by the AED Project Officer.

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**O&M Contract**

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The O&M Contractor was to provide facilities operation and maintenance support for the entire laboratory (i.e., dry and wet laboratories, office space, field equipment, general support services). The contract's period of performance was October 1, 1994 until September 30, 1999 with a total cost of \$3,911,901.

Our follow-up review disclosed that three years after the EMS report and six years after the OIG report were issued, the O&M contract continued to be poorly managed. A poorly written Statement of Work (SOW) along with weak oversight by the Project Officer enabled the O&M Contractor to disregard contract

provisions without reprisal. For example, the Contractor did not adequately update SideArm, a computer system for tracking maintenance or perform all contracted tasks. In response to our 1993 findings, ORD provided Project Officer training to their staff and emphasized that Federal regulations were to be followed. However, when the EMS report indicated that such actions had not been sufficient to address our concerns, AED Senior Management did not take further corrective action. The Acting Director said the Project Officer did not have contract management skills and there was no one else qualified to take his place.

The Acting Director believed EPA's Contract Management Division (CMD) also shared responsibility for the quality of the SOW. He stated that CMD did not provide adequate assistance to AED. The EMS contacted CMD several times over the course of the O&M contract and sent the Event Cycle Report on contracting to CMD.

The scope of our audit did not include a review of CMD so we cannot comment on their operations. However, if the Acting Director was dissatisfied with CMD's assistance, he should work with his counterparts to improve CMD's and AED's relationship.

**“Vague” & “Ambiguous”  
Statement of Work**

According to the Acting Director, the SOW for the O&M contract was written by the retired Project Officer and the former ADPO. The Contracting Officer described the SOW as “vague” and “ambiguous”. As a result, the Contracting Officer believed that EPA could not seek redress from the O&M Contractor for not fully complying with the contract terms. For example, the Contractor had not updated architectural drawings because the contract was not clear regarding the Contractor's responsibility to do so.

The Contractor did not update "SideArm", a mechanized system to account for preventive maintenance tasks and equipment. This deficiency was identified in the NHEERL Management Review 98-03 dated September 29, 1998. The report stated in part;

Under the scope of the O&M contract successful installation and implementation of the SIDEARM software (MMS) is required. Under the O&M SOW, EPA provides this MMS software product for the Contractor to load, and both the Contractor and EPA utilize this computer application system. However, we discovered that the data is not fully loaded, and the MMS requirement is not implemented. The resulting effect is the Contractor is not performing according to the scope of the contract and therefore has breached the terms of the contract.

Additionally, the EPA PO has failed to take advantage of a progressive performance management tool that, although not by itself, would assist in addressing some of the critical contract issues that have been identified in this management review. EPA has paid for the installation of a piece of software, that is not being utilized.

The NHEERL review recommended that the Acting Director ensure that the EPA Project Officer use the software and require the Contractor to use software, as required in terms of the contract. The AED Director concurred with this recommendation.

However, the Contractor could not be held responsible for breach of contract according to the



Contracting Officer. She stated that the contract was vague regarding the use of SideArm and the Project Officer did not direct the Contractor to use the system. In fact, AED was unaware that the Contractor was inputting data into SideArm until May 1999, nearly five years after the contract was executed. However, EPA did not have a method to verify the accuracy of the data entered according to the Contracting Officer.

For the remaining period of the contract, AED and the Contracting Office were working with the Contractor to identify/verify and update information in SideArm. The Contracting Officer said the succeeding contract to be executed would have a detailed description of the Contractor's responsibilities regarding use of any computerized system to be used.

AED Senior Management and EPA's Contracting Officer decided not to make significant modifications to the existing contract. Rather, they concentrated on strengthening the upcoming contract.

#### **Project Officer Performance**

Not only was the contract SOW deficient, but also the retired Project Officer's monitoring of the O&M contract. The Contractor, not the Project Officer controlled the work orders. The Project Officer did not ensure that the Contractor performed all the preventive maintenance required in the contract. Also, the Project Officer procured services which the O&M Contractor could have provided under the existing contract. Some of the poor contract management practices continued with the interim Project Officers.

Once a work order was issued, the Project Officer abdicated complete control to the Contractor. This was a weakness not only with the retired Project Officer's administration but with the interim Project Officers as well. AED had no procedures to ensure

that the O&M Contractor completed the work timely or satisfactorily. Incomplete or untimely work created potential safety hazards in some cases. For example, wires remained uncovered and emergency showers were not inspected.

EPA's *Contracts Management Manual* Chapter 7, Attachment A describes the duties to be performed by Project Officers. Such duties include monitoring, inspection, and acceptance. Paragraph 16 of the aforementioned reference states that Project Officers:

Monitor compliance with the contract. Inspect, accept and/or track deliverables. Identify, document and report potential or actual problems (including potential conflicts of interest, constructive changes) to the CO. Provide technical direction (if permitted in accordance with the terms of the contract).

#### **Control of Work Orders**

The O&M Contractor completed and maintained work order information until the beginning of our audit in May 1999. The Project Officer stated the Contractor, not AED, entered data from work orders into the status program including the start and completion dates. The Contractor also filled-out the portion of the work order form dealing with estimated and actual hours to complete the work as well as estimated and actual material costs. The Contractor physically possessed all work order documents. In our opinion, such a system was not conducive to good project management.

Because AED scientists wanted to know the status of their work orders, the ADP Contractor was tasked with developing a system to track work orders. AED officials approved this system in March 1998. The EMS stated that the Project Officer or another EPA employee was supposed to enter work order information into the system but instead the O&M

Contractor was actually entering the information. AED did have access to the Contractor's information but there was no evidence of oversight by AED staff to verify the accuracy of the information entered. Additionally, procedures were not in place to ensure the Project Officer or the requestor signed the completed work order certifying that the Contractor's work performed was timely and acceptable. As a result, there was no documented evidence that work orders were timely completed to the requesters' satisfaction per the work order request.

The interim Project Officer stated he didn't know if the Contractor completed work orders within prescribed times as EPA did not have control of the work orders. He did know, that based on his recent review of work orders, that the Contractor takes longer than necessary to do routine work such as painting doors. He stated, "for example I believe the computer room renovations that [the Contractor] did should have taken two weeks not six months. Sometimes [the Contractor] does work assignments different than the work order requested, and therefore, different than the EPA employees needed." Currently there is a lack of EPA management oversight and documentation to show the work was satisfactorily completed.

On August 20, 1999 the interim Project Officer stated that now he visually spot checks work orders to make sure the work is being done. He also stated the Contractor controls and enters data into the computerized work order system. However, no AED official signs off on the work order certifying that the work was satisfactorily completed because AED does not have a procedure to determine that the work was in fact done. The Project Officer said controls over work orders will be improved under the new contract which will be effective October 1, 1999.

Our review of 55 work orders (10 percent) issued during FY 97, showed that approximately 93 percent of the work orders were not signed by any AED employee as accepting the work. Requiring the Project Officer or the requester to sign the work order certifying that the work performed was acceptable and timely completed would eliminate this problem. The Project Officer also stated, "Sometimes [the Contractor] did assignments based on a verbal request of an EPA employee without waiting for a work order which might be written after the fact." He stated, "there is an appearance that the Contractor is running the place."

One of the interim Project Officers stated that he brought his concerns regarding the management of work orders and other issues to the attention of the ADPO on or about January 1999. He said the ADPO told him nothing new was to be done regarding the O&M contract because a new Project Officer was to be hired and a new O&M contract was to be awarded in October 1999.

The ADPO, who arrived at AED in April 1998, explained that he first became aware of problems in contract management when he received the NHEERL draft management review in August 1998. The retired Project Officer never informed him of any contract management problems, therefore, as far as he knew there weren't any problems. He stated that he was a manager, not a subject matter expert. Therefore, he relied on his Project Officers to keep him informed of any and all contract problems. He believed the retired Project Officer tried to do the best job he could, but he was limited in his skills to effectively manage the contract.

The AED Acting Director said most people in the laboratory were scientists and he didn't have anyone qualified who could take over the Project Officer

position. He stated that the principal purpose of the laboratory was science but acknowledged that there was no excuse for poor contract management. He didn't believe the nature of the problems with the O&M contract affected laboratory operations and he was assured by his managers that corrective actions resulting from previous audits were taken.

A discussion with the AED Safety Officer showed how the work order system functioned and how untimely work orders could affect safety at the lab. He said he did not see work orders once they were submitted. The only way he could tell if the work was done, was to walk around the facility and check on it when he could. Sometimes he did not know for several weeks or months that a job was still pending. He said some of the work orders submitted were marked as "completed" when the work had not been done. He said the O&M Contractor's Project Manager had been entering information into the computerized work order system rather than the AED Project Officer. He said the intent of the system was to allow the AED Project Officer to review the Contractor's work and keep the AED staff informed of the status of the work orders. He said the program did not work as intended.

The Safety Officer provided the following examples as specific instances when laboratory safety was compromised due to untimely work by the Contractor.

1. Work Order #97-232, dated 2/25/97: The Contractor was instructed to make electrical repairs in the wet lab. There were uncovered wires and switch boxes in various places, a safety hazard. Even though the work order was marked as completed in the database, the work was never done.

2. Work Order # 99-115, dated January 13, 1999: Contractor was instructed to check for electrical shorts in the oven. Again, the work order was marked as completed even though there is still a stray voltage problem with this equipment.

The Safety Officer also identified 15 findings the Contractor was responsible for in the July 1996 *U.S. EPA Safety, Health, and Environmental Review*. Five of the 15 findings were classified as "Priority B" which was defined as deficiencies that could lead to regulatory enforcement action or to unacceptable safety, health and environmental risk. (See Appendix 1 for details.)

#### **Preventive Maintenance**

The Contractor did not perform all preventive maintenance required by the O&M contract. While AED was fortunate that no serious accidents occurred, the staff and facility were left vulnerable. It was the Project Officer's responsibility to ensure that the Contractor met all the terms of the contract.

In response to a memorandum initiated by the AED Project Officer, the Contracting Officer sent a letter dated September 14, 1999 to the O&M Contractor describing contractual and performance issues requiring corrective action. We believe these deficiencies resulted from the lack of adequate oversight by the Project Officer. The Contracting Officer wrote that the following critical items, systems, and tasks either are not being maintained/tested as specified in the contract or do not have records to indicate maintenance/testing have been performed.

1. Electrical Systems
2. Water, Drain & Distribution Systems

3. Other Laboratory Support and Distribution Systems
4. Fire Protection System
5. Field equipment
6. No unscheduled “work order” maintenance and repair had been recorded for any item.
7. Laboratory Lift Trucks

The Contracting Officer’s letter further stated;

In general, the records demonstrate that services are not being performed as specified (e.g. the contract requires daily, monthly, quarterly, semi-annual, and annual services on “HVAC and Boiler” but records indicate that, depending on the item, only semi-annual or annual services were performed).

The AED Safety Officer said that not all the emergency showers had been inspected yearly by the Contractor as required. Again, while no accidents occurred, such actions put the safety of the AED staff at risk. Poor contract monitoring not only resulted in health and safety concerns, but also wasted resources.

**Procurement Requests**

The former O&M Project Officers purchased \$6,587 of services already included in the O&M contract during Fiscal Years 1998 and 1999. For the same time period, 13 purchase order requests were processed for supplies which should have been charged on the Contractor invoices. Another 15

items/services procured were questionable but a final determination could not be made because a clear cost breakdown was not available. Not only did AED unnecessarily expend limited lab funds for services already included in the contract, but additional administrative resources were unnecessarily used in processing these procurement requests. The current Project Officer did not know why these purchase orders were requested.

The following schedule shows services purchased separately which were already included in the O&M contract.

PO No.	Request Date	Service Description	Cost *	Contract Ref.
8N-0100-NNSA	09/25/97	Provide service for Freezer	\$ 568	B.5.1.4.
8N-0149-NNSA	10/14/97	Provide service to evaluate trouble with speed control for the return and supply fan on Air Handler	\$ 475	B.5.1.1 B.5.3.1.
8N-0188-NNSA	11/12/97	Emergency Service for Underground Storage Tank Monitoring Systems	\$ 262	B.1.
8N-0189-NNSA	11/20/97	Replace defective fire alarm zone module	\$ 500	D.6.2.
8N-0232-NNSA	12/23/97	Provide emergency services to main sea water filtering system	\$ 420	D.4.8.
8N-0233-NNSA	12/18/97	Install weather stripping on Lobby doors	\$ 285	D.10.



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PO No.	Request Date	Service Description	Cost *	Contract Ref.
8N-0273-NNSA	01/29/98	Re-set pre-action valve in the Hazardous Storage Bldg.	\$ 500	D.6.3.
8N-0342-NNSA	03/20/98	Replace broken glass in the Lobby	\$ 368	D.10.
8N-0348-NNSA	03/25/98	Lift Truck Repairs	\$ 763	B.10.
8N-0395-NNSA	05/08/98	Provide repairs to fiberglass pipe supplying seawater to the Laboratory	\$1,063	D.5.2.
8N-0488-NNSA	06/11/98	Recondition 4 stainless steel propellers	\$ 375	D.12.3.
8N-0639-NNSA	09/04/98	Close up boiler #1, set fires, perform efficiency test	\$ 504	D.1.6.
8N-0641-NNSA	09/04/98	Close up boiler #2, set fires, and perform efficiency test	\$ 504	D.1.6.
Total *			\$6,587	
* Amounts rounded				

In addition to the services described above, a blanket purchase order was authorized for snow removal. The agreement terms, in part, listed clearing all walkways for \$20 per hour. According to the contract, paragraph D.10, the Contractor shall maintain the general physical plant. The Contractor shall provide general facilities maintenance as follows: provide snow removal for sidewalks and pedestrian ramps.

According to Section F.1 of the contract:

The contractor shall provide the necessary supplies, material, and spare parts for the operation, maintenance, and repair of the Laboratory facility and systems. The Contractor shall maintain quantity levels appropriate with their approved maintenance schedule. Advance approval from the Project Officer is required for any single purchase order of \$200 or greater. The Contractor shall not purchase any supplies, material, or parts with a unit cost of \$1,000 or greater.

The Contractor was to provide a variety of supplies, materials, and parts for use in carpentry, plumbing, and electrical work as well as maintenance of field equipment and vehicles.

Section B.2 (d) of the contract, "Consideration and Payment for Line Items", provides that costs for supplies and services were to be "vouchered" every two weeks for the actual cost, including mailing and shipping costs, incurred during the preceding two weeks with no added cost or fee.

Contrary to the above contract provisions, AED's former Project Officers submitted purchase order requests for supplies which should have been included on the Contractor invoices. These items included:

P.O. #	Date	Supplies Purchased	Cost *
8N-0181-NNSA	09/18/97	Electric Strike Folger	\$ 640
8N-0190-NNSA	11/18/97	Fan Shaft (Penn Ventilator)	\$ 206
8N-0207-NNSA	11/24/97	Flourescent fixtures & electronic ballasts	\$ 458

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P.O. #	Date	Supplies Purchased	Cost *
8N-0219-NNSA	12/16/97	Aluminum Fan Wheel, Shaft (fan wheel)	\$ 840
8N-0367-NNCX	04/08/98	Bandsaw Blade	\$ 47
8N-0396-NNSA	05/08/98	C.S. Shaft	\$ 270
8N-0519-NNSA	07/07/98	Air Conditioner	\$ 784
8N-0548-NNSA	07/27/98	Parts needed for freezer	\$ 151
8N-0571-NNSA	08/12/98	Door closers, hinges, and shims	\$ 472
8N-0601-NNSA	09/16/98	30 gallon barrels	\$ 1,386
9N-0139-NALX	12/15/98	Fuel conditioner, grease, fog spray, fog oil, spark plugs, plug installer, gearcase leak check, safety chains, lugnuts, keel roller, roller pin	\$ 830
9N-0241-NNSA	03/19/99	Drain plugs, battery, 3" blower mower, electrical panel	\$ 463
9N-0300-NNSA	04/26/99	Filter holder model, pressure regulator/ball valve/pressure gauge & fittings assembly & manual	\$ 620
Total			\$7,167 *
* Amounts Rounded			

In our opinion, the former Project Officers' submission of such purchase orders showed their lack of familiarity with the contract. Discussions with the current Project Officer indicated that he was better acquainted with the terms of the contract. He also questioned the appropriateness of these requests.

The Acting Director recommended that the EMS review procurement requests to assure that contract provisions were met. We concur with his recommendation.

**ADP Contract**

The ADP contract was adequately managed but improvements could be made in tracking work orders and working with the alternate Project Officer for this contract. The ADP Project Officer properly documented and reviewed the invoices but could use EPA's checklist to aid in his review.

**Work Order Management**

The Project Officer effectively managed the work orders except for ensuring Contractor timeliness in completing work. We judgmentally selected and reviewed 25 of 95 work orders issued during the period January through May 1999 to determine if work orders were effectively managed. We determined that the Project Officer, not the Contractor, maintained control over the work orders. The Project Officer estimated the hours to complete the work and certified that the work performed was within the scope of the contract and done to the satisfaction of the requestor.

Each completed work order was signed by the requester stating that the Contractor satisfactorily completed the work requested. The ADP Project Officer developed this work order format. We strongly recommend that the O&M Project Officer adopt this format.

However, work was not always done on a timely basis. Twelve of the twenty-five work orders reviewed were not completed timely. Four of the 12 untimely work orders were designated as emergency actions. Emergency requests were late from four to 28 days. The Project Officer stated that he does not have an effective system to track the timely completion of work orders. He agreed to establish a

computerized tracking system to ensure that work is completed timely.

**No Alternate  
Project Officer**

The alternate Project Officer for the ADP contract said that the Project Officer did not allow him to perform his duties as alternate. Even on vacation, the ADP Project Officer instructed staff to have all contract business sent to his residence. The Acting Director said the Project Officer did not have confidence in the Alternate's ability to understand the nature of work. At the time, AED lacked appropriate personnel. The Acting Director said he would be assigning another person with the appropriate background as Alternate.

**Adequate Invoice  
Review**

Contractor invoices for the period October 31, 1997 through February 3, 1999 were properly documented and reviewed by the ADP Project Officer prior to being submitted for payment. All costs were verified with the Contractor's monthly progress report. However, the Project Officer was not attaching a copy of the required checklist which was intended as an aid to the Project Officer in reviewing the invoices for reasonableness, allowability, and allocability of claimed Contractor costs. The EPA Invoice Review Guide, dated November 1, 1995 states, "Copies of the checklist should be attached to each invoice before it is filed in the PO's files."

The ADP Project Officer stated that in the future he would attach copies of the checklist to each invoice before it is filed in his files.

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**CONCLUSION**

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AED's retired Project Officer allowed the O&M Contractor to control its work without adequate EPA

oversight. Succeeding interim Project Officers could not fully correct past poor contract management practices. As a result, the Contracting Officer believed that the O&M Contractor could not be held responsible for its poor performance because EPA wrote a poor SOW and provided inadequate oversight. This was especially distressing since weak contract management practices had been identified by both the OIG in 1993 and AED's EMS in 1996. While the current Project Officer, who has a strong contracts background, should improve operations, AED also needs to establish procedures to ensure that EPA and not the Contractor controls the work. AED also needs to improve communication with the Contracting Office and take advantage of the Contracting Officer's expertise when necessary.

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## **RECOMMENDATIONS**

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We recommend that the Acting Director instruct the O&M Project Officer to:

1. Complete estimated hours and costs on work order forms and maintain work orders.
2. Develop a tracking system to document that the Contractor performs all preventive maintenance and submits deliverables in accordance with the terms of the contract.
3. Define time frames such as "routine", "emergency", etc. given to the Contractor.
4. Develop a tracking system to assure that work was completed and completed on a timely basis by Contractor.
5. Use the work order form developed by the ADP Project Officer for all contracts so that requesters or other appropriate officials can

sign-off as approving completed Contractor work.

We also recommend that the Acting Director instruct:

6. The ADPO to meet weekly with the Project Officers to review the status of work orders and take corrective action as necessary.

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**ORD RESPONSE**

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In response to the Contract Officer's statement that the O&M SOW was "vague" and "ambiguous", ORD wrote:

The complexity and ambiguities of the SOW of this contract were also noted in the 1997 NHEERL Management Review. It was the opinion of the two former Contracting Officers on that team that the contract was so complex and ambiguous that it would be difficult for anyone to manage. This is why we strongly feel that it is of the utmost importance for the Contracting Officer to work with the Project Officer and EMS to ensure the award of a clearly written, sound contract. We believe that contract management is a team effort and that CMD has shared responsibility in ensuring that EPA can hold contractors responsible for the work that they are getting paid to do.

During our exit conference, NHEERL's Management Deputy Director stated that developing an SOW was a joint responsibility between CMD and AED.

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ORD also provided a Correction Action Plan (See Appendix 4) responding to each of the finding's recommendations.

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**OIG EVALUATION**

In our opinion, inadequate Project Officer oversight was a significant factor in the poor management of the O&M contract. Even though systems had been

developed to assist the Project Officer in monitoring the contract, the Project Officer never used these systems. The Project Officer did not track Contractor performance of preventive maintenance or ensure that work was completed. A "complex" SOW would not have prevented the Project Officer from performing such basic monitoring responsibilities.

CMD activities were not included in the scope of our audit. Our review was directed at AED activities and responsibilities. However, ORD does make a good point in noting that CMD shares responsibility. If AED did not receive appropriate assistance from CMD, then Senior Management should resolve this issue. We do note that at the time of our audit CMD and AED staff were working together to ensure that the new O&M contract SOW would be stronger and clearer in stating Contractor responsibilities.

We concur with ORD's Corrective Actions for this Chapter.



## **CHAPTER 4**

### **IMPROVEMENTS NEEDED IN PROPERTY MANAGEMENT**

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Improvements need to be made in AED's property management. We found that: 1) custodial officer designations were out-dated; 2) annual inventories were not performed; and 3) the status of loaned equipment was unknown. The Property Officer and the Extramural Management Specialist (EMS) brought these weaknesses to the attention of Senior Management who did not take corrective action. Improving property management was not a priority. As a result, \$6,212,611 of accountable property was not safeguarded.

The AED Property Officer is an extremely conscientious individual who brought several property management concerns to the attention of the OIG in order to get these matters corrected. We agree that these matters are significant requiring Senior Management's attention.

In her April 22, 1996 Event Cycle report on property management, the EMS identified similar findings with recommendations. However, three years later, we found that these weaknesses were not addressed by Senior Management.

According to EPA's February 12, 1990 *Personal Property Management Policy Manual*, Property Managers and Custodial Officers are responsible for ensuring the efficient and effective implementation and maintenance of EPA's personal property management program. At AED, the ADPO is responsible for the oversight of all administrative

functions including property management. The Property Officer reports to the ADPO. Custodial Officers are appointed by Senior Management.

EPA's *Personal Property Policy Manual* Chapter 1, Para 5.8, states in part:

Office and Division Directors, Branch Chiefs, or equivalents are directly responsible for the establishment and continuous enforcement of administrative directives and measures for all items of government property under their control. This includes property items carried in the Agency Personal Property Accountability System (PPAS) [information now entered into IFMS], as well as items not carried in the PPAS. Management of property must ensure these items are properly acquired, used, maintained and safeguarded.

Supervisory responsibility at all levels requires the establishment and continuous enforcement of all administrative measures necessary to ensure adequate preservation and use of all Government property under their jurisdiction. This includes assigning Custodial Officers and ensuring positions are filled at all times, as well as, ensuring that the Custodial Officer's position description is amended to reflect Custodial Officer duties.

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**Custodial Officer  
Designations**

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Custodial Officers are key in safeguarding personal property. EPA's February 12, 1990 *Personal Property Management Policy Manual* provides:

Acting under the general direction of an organizational supervisor and under the

technical direction of the Property Accountable Officer or Program Accountable Officer, the Custodial Officer is responsible for the proper care, maintenance, utilization, accountability, and security of personal property assigned to the Custodial Area, and will be responsible for the property until formally relieved of his/her duties by the proper authority. Specific duties include:

- Informing his/her immediate supervisor of changes affecting the status of personal property in the Custodial Area to include: loss, theft, damage, modification, and classification of excess and unreparable (sic) property.
- Reporting to the Property Accountable Officer and preparing documentation for all property transactions in his/her Custodial Area to include: transfer, disposal, adjustment transactions (overage or shortage), and declaration of excess; and obtaining prior approval from the Property Accountable Officer for plans to convert, alter, modify, or dismantle personal property.
- Conducting physical inventories of the personal property within the Custodial Area as required and directed by the Property Accountable Officer and/or the Program Accountable Officer. Reconciling the inventories and certifying the results. Initiating the paperwork to resolve overages and shortages.
- Establishing and maintaining prescribed control records.

Without a full complement of properly designated Custodial Officers, all these activities were not carried out for all Custodial Areas at AED.

Property accounts lacked official or current Custodial Officer designations. Sixteen of 32 Custodial Officers had not signed acceptance of their accounts. Four former employees were still identified as Custodial Officers up to a year and a half after they left AED (See Appendix 2). As a result, property valued at approximately \$6,212,611 was not adequately safeguarded (See Appendix 3). Senior management had not established and implemented adequate controls and procedures to ensure that existing Custodial Officers understood their responsibilities or designated replacement Custodial Officers on a timely basis.

We interviewed 10 of the 16 Custodial Officers who had not signed for their property accounts to determine why they had not accepted responsibility for their accounts. Of the ten Custodial Officers interviewed: five said they hadn't been asked to sign for their accounts or they did not know why they had to sign for their property account; three said they hadn't signed because the property account inventory had not been reconciled; one said she hadn't received training so she assumed she was not responsible for the property; and one Custodial Officer said he had not gotten around to signing. These responses indicated that Senior Management had not instilled a strong and clear sense of responsibility among Custodial Officers regarding their duties.

For the Custodial Officer who had not gotten around to signing for his account, we found another procedural deviation. Contrary to AED's practice, this

Custodial Officer, rather than the Property Officer, maintained his own account file. However, during our audit, the Custodial Officer could not find his file. This Custodial Officer was responsible for \$1,337,887 of computer equipment according to the July 8, 1999 IFMS, "Custodial Account Report Sorted by Decal Number". Without the file, we could not determine if and when an inventory had been taken. Also, this Custodial Officer could not carry out his responsibilities such as conducting inventories, reporting property transactions, or property status changes.

The Property Officer recognized two years ago that AED Custodial Officers needed training. In his February 5, 1997 memorandum to the Acting ADPO, he wrote, "The need exists for training in the areas of property and records management." He requested that AED fund travel expense for expert assistance from EPA Headquarters' Property Management Office. However, the AED Acting Director said funds were not available to pay for such a trip. This problem was not addressed and continued.

In a June 24, 1999 memorandum to the OIG, the Property Officer stated, "I believe that the Custodial Officers are confused about their duties despite the written instructions I have provided". He said this was made clear to him when one Custodial Officer would not sign for his property account. The Property Officer further stated, "I believe this plan [seeking training assistance from Headquarters] must be revisited and the Custodial Officers be trained in the responsibilities [of Custodial Officers] as well as the Senior Management Team. Their career path is up through the technical side and they do not understand that they must support not hinder or discourage proper and legal internal control property procedure. I believe that their lack of knowledge with respect to property issues can be found to weave not

only through in-house property, as well as field sampling gear but also extramural property.”

The Property Officer then wrote to the ADPO in a June 28, 1999 memorandum that AED needed a provision for dealing with Custodial Officers who either do not sign off on their property after an inventory or do not make themselves available in a timely manner to do a proper inventory of material they are responsible for. He further stated, “situations of this nature should be corrected immediately.”

AED also lacked controls to ensure that property accounts were inventoried, reconciled and transferred when Custodial Officers left AED employment. Four former employees, who had departed AED during the past 18 months, were still listed as active property Custodial Officers. As a result, AED had no assurance that these property accounts were safeguarded. Senior Management did not designate permanent replacements prior to the Custodial Officers leaving. This problem was previously reported by the EMS in her April 22, 1996 Event Cycle report on property management. The EMS report stated that a quick run through of the property records yielded over \$200,000 worth of equipment assigned to 15 people who no longer worked at AED.

In his June 28, 1999 memorandum, the Property Officer stated, “Currently when someone retires or when an individual employee is transferred the responsibility of the property under their control is not inventoried or signed off on, and assigned to a new custodian at the time the person leaves.” Further, “There is only a verbal assignment that until a permanent person is hired the temporary person ‘will take care of it’”. The Project Officer did not believe he had the authority to appoint a new custodian. EPA Headquarters’ Property Officer confirmed that

authority to designate a Custodial Officer rested with Senior Management. We determined that property in the amount of \$771,382, was still assigned to four custodians who left AED as long ago as December 1997.

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**Annual Inventories Not  
Performed**

Annual inventories of accountable, government property were not performed as required by EPA policy. Additionally, 14 of the 32 property accounts had no evidence that an inventory had been performed. The Property Officer believed that inventories were to be conducted every two years, not annually. Also, the absence of properly designated Custodial Officers resulted in undocumented inventories. Without annual inventories, \$6,212,611 of AED property was not adequately accounted for. Our unannounced inventories of a sample of accounts disclosed that the IFMS inventory system included items which could not be found as well as obsolete equipment. Also, some equipment had not been entered into IFMS. The Property Officer advised us of instances of idle/unneeded and missing/stolen property which was still reported in the IFMS inventory system.

EPA's Personal Property Policy Manual Chapter 2, Paragraph 6.2.6.1, Accountable Property states:

The Program Accountable Officer, Regional Administrators, Laboratory Directors, or the Directors, Office of Administration and Resources Management, RTP and Cincinnati shall certify annually as part of the organization's Internal Control review that all Custodial Officers within the organization have been appointed and received training and that annual accountable property inventories have been conducted and submitted to the Property Accountable Officer.

The latest inventory of accountable property performed by Custodial Officers was dated February/March 1997. The Property Officer inventoried capital equipment in March 1999 after being advised to do so by Headquarters. Capital equipment was previously inventoried in 1997. The Property Officer believed biennial rather than annual inventories were required. After discussions with Headquarters Property Management personnel, the AED Property Officer now understands that all accountable property must be inventoried on an annual basis. It should also be noted that neither the ADPO nor the Acting Director knew that all accountable property was to be inventoried annually.

Along with the Property Officer, we conducted an unannounced inventory of four accounts to determine the accuracy of the property account records. We used the then current July 8, 1999 IFMS' "Custodial Account Report Sorted by Decal Number". Based upon the results of our review, these reports did not reflect the actual state of the inventory. Some items could not be found while other items had not been entered into the system or were in the wrong account. In some cases, obsolete equipment was still carried on the inventory. See the schedule on the next page for details of our review.



*Audit of Extramural and  
Property Management at the  
Atlantic Ecology Division*

<b>Account Number</b>	<b># Items</b>	<b>Items Not Found</b>
244	7	\$ 7,952
271	18	74,217
257	9	21,775
<b>TOTAL</b>	<b>34</b>	<b>\$103,944</b>
<b>Account Number</b>	<b># Items</b>	<b>Items Found but Not on the Property List</b>
244	5	\$ 8,492
271	7	60,098
257	2	Unknown
<b>TOTAL</b>	<b>14</b>	<b>\$ 68,590</b>
<b>Account Number</b>	<b># Items</b>	<b>Items Found without EPA Decals</b>
244	14	\$ 15,600
271	2	38,900
257	5	5,258
<b>TOTAL</b>	<b>21</b>	<b>\$59,758</b>
<b>Account Number</b>	<b># Items</b>	<b>Idle/Unused/Obsolete Items</b>
292	1	36455
257	2	2950
<b>TOTAL</b>	<b>3</b>	<b>39,405.00</b>
<b>Account Number</b>	<b># Items</b>	<b>Items Listed on the Wrong Property Account</b>
271	10	\$ 54,408
292	1	Unknown
257	1	Unknown
<b>TOTAL</b>	<b>12</b>	<b>\$ 54,408</b>
<b>Account Number</b>	<b># Items</b>	<b>Items that Should Be Transferred to the O&amp;M Contractor</b>
257	12	\$54,548
<b>Account Number</b>	<b># Items</b>	<b>Items Out for Repair</b>
271	1	\$7,200
292	1	\$14,650
<b>TOTAL</b>	<b>2</b>	<b>\$21,850</b>

We also identified 16 items that had not been entered into PPAS or IFMS on a timely basis. AED converted from the PPAS to IFMS in May 1997. The 16 items had acquisition dates from 1987 to 1998. However, these items were not on the 1997 PPAS inventory list. Four of the sixteen items were input to IFMS in 1998 and twelve items were input in 1999. The Property Officer said he was unaware that the lab had these items until an inventory was taken. See the schedule on the next page for details.

Decal Number	Equipment Description	Acquisition Date	Transaction Date	Cost
909386	Engine	02/22/90	09/01/99	\$ 5,671.00
909387	Engine	02/20/90	09/01/99	5,671.00
909388	Engine	02/20/90	09/01/99	5,671.00
909389	Data Process. Equipment	01/07/94	09/02/99	13,285.00
909381	Balance	08/18/97	07/07/99	1,138.00
909383	Current Meter	11/11/97	07/16/99	23,288.00
909349	Barcode Scanner	12/20/97	02/08/99	1,482.00
909351	Image Analyzer	10/25/97	09/08/99	20,295.00
909290	ISOHP Outboard	02/05/97	04/23/98	6,476.00
909294	70HP Outboard	03/28/96	04/23/98	3,452.00
909298	Boat Trailer	07/06/98	02/12/99	6,265.00
909312	Boat Engine	06/19/88	09/23/98	6,476.00
909301	Canoe	10/16/87	05/14/98	500.00
909381	Balance	08/18/97	07/07/99	1,138.00
909313	Tide Gage	05/01/98	04/02/99	3,700.00
909314	Tide Gage	05/01/98	04/02/99	3,700.00
			<b>TOTAL</b>	<b>\$ 108,208.00</b>

Annual Inventories are important to track the status of valuable government property. Custodial Officers should be able to locate the equipment under their care and note any changes or modifications to equipment.

In addition to annual inventories, an annual evaluation of accountable property should be done to determine if any equipment is idle or unneeded. Such a review may be done in conjunction with the annual inventory. According to 41 CFR, Chapter 101, Section 25.109-1:

- (a) The provisions of this Sec. 101-25.109-1 apply to all Federal laboratories regardless of size.

- (b) Inspection tours of Federal laboratories shall be conducted on a scheduled basis, annually, if feasible, but no less than every 2 years, for the purpose of identifying idle and unneeded laboratory and research equipment.

Equipment identified by the inspection team as idle or unneeded shall be reassigned as needed within the laboratory, placed in an equipment pool, or declared excess and made available to other agencies in accordance with part 101-43.

The Property Officer recognized that AED needed to develop procedures to safeguard expensive equipment as well as to identify idle/unneeded equipment. He brought the following examples to our attention and the ADPO.

1. A \$100,000 current meter was found under a pile of refuse in the old wet lab and appeared to have been abandoned.
2. A \$244,776 Mass Spectrograph purchased in 1993 which had never been used to anyone's knowledge.
3. Two current meters, each worth \$8,000, were nowhere to be found. One was believed to have been lost in Texas.
4. A \$6,789 Data Logger was missing.
5. A \$1,200 engine which had been stolen in 1993 was still listed on the property records.

The Acting Director said that AED was forced to buy a spectrograph from the GSA catalog rather than the exact item they wanted from another source. AED

tried to customize the spectrograph to the laboratory's needs. In 1996, the AED staff determined that customization would not work. The Acting Director said it took another three years to find a suitable location to ship the spectrograph. He further stated that AED deals with scientific equipment which is "state of the art" and "cutting edge". It is difficult to get the exact type of equipment desired to do the job. He said that it is not unusual for equipment to remain idle for three years in a research laboratory. A laboratory cannot always anticipate a project's equipment needs.

In our opinion, six years was an unreasonable amount of time to keep the spectrograph idle. Even research laboratories must plan for their needs.

The Property Officer said AED will now perform a "walk-through" shortly after the annual inventory to determine if excess or idle equipment exists. We believe this procedure will improve AED staff's knowledge of its property and needs.

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**Loaned Equipment  
Not Effectively Managed**

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Loaned Government property of \$250,373 had not been returned in accordance with Revocable License Agreements (RLAs) and EPA requirements. As a result, the status of \$43,690 of equipment was unknown. The status of the remaining loaned equipment, in the amount of \$206,683, was not documented as being returned until 1999, up to three and one-half years after the property was returned. Limited Senior Management oversight and a lack of internal controls over loaned property were the direct causes of poor property management.

EPA Property Management Policy permits the loan of Agency owned personal property, except motor

vehicles, on a temporary basis, with a maximum of five years. To effect the loan, the loan document must be signed and dated by the party to which the loan is made. Agency directives require loans of personal property exceeding 45 days be made by means of RLAs. RLAs should include: the purpose of the loan, the loan period, and a certification that the property involved is under the requesting officials control; and is not excess.

We reviewed eight (100 percent) of the RLAs used to loan Government property. At the time of our review, documentation did not exist to show that the equipment had been returned. For three of these eight RLAs, the Property Officer advised us that forty pieces of equipment worth \$43,690 had not been returned to AED as of August 18, 1999 and the status of this equipment was unknown. He said there was no record of the equipment ever being returned. The following schedule shows the three RLAs involved.

<u>RLA Number</u>	<u>Date</u>	<u>RLA Period</u>	<u># of Items</u>	<u>Dollar Value</u>
31-006-89	03/07/89	18 Months	13	\$21,839
Not Listed	05/16/94	3 Years	16	12,751
01-27-92	05/14/92	3 Years	11	9,100
		<b>TOTAL</b>	<b>40</b>	<b>\$43,690</b>

In response to our review, the Project Officers responsible for the remaining five RLAs certified they had received the loaned equipment, in some cases, up to three and one-half years after the equipment was returned. In two cases, AED officials certified that equipment had been returned but not within the RLA loan prescribed time frame. The following schedule shows this information in detail.

<u>PLA Number</u>	<u>Date</u>	<u>PLA Period</u>	<u>Dollar Value</u>	<u>Date Returned</u>	<u>Date AED Signed RLA</u>
94-126-CA271-AA33	09/08/94	3 Years	\$ 95,170	02/12/96	August 17, 1999
94-126-ACA271-AA33	09/08/94	3 Years	\$ 5,006	02/09/98	August 17, 1999
94-126-BCA271-AA33	09/08/94	3 Years	\$ 66,377	02/12/96	August 17, 1999
96192	07/08/96	4 Months	\$ 28,480	11/18/96	August 18, 1999
Not Listed	06/13/96	18 Months	\$ 11,650	03/02/99	August 18, 1999
		<b>TOTAL</b>	<b>\$206,683</b>		

Additionally, loan authorization was not obtained in each case. In three cases, EPA had not signed the RLAs and in another three cases, neither EPA nor the licensees signed the RLAs.

EPA's Personal Property Policy Manual Chapter 2, paragraph 6.1.3 states in part:

A memorandum requesting approval to loan the property must be submitted to the Property Management Officer by the requesting official. The request must include an endorsement of the EPA requesting official's Division Director (or equivalent) and shall address the requirements for short or long-term loans listed below.

To effect the loan, the loan document must be signed and dated by the party to whom the loan is made (licensee). The document shall be returned to the issuing Property Management Officer to transfer accountability from the Custodial Area initiating the actions to a newly established account assigned to this transaction. A copy of the loan agreement shall be forwarded to the Custodial Officer who initiated the transaction.

The Property Officer was aware of the need to improve the management of Government loaned equipment and cited the RLA with the Narragansett Bay Project as an example of his concerns. The RLA was signed by the licensee, Narragansett Bay Project on March 7, 1989 for a period of 18 months authorizing receipt of thirteen pieces of AED computer equipment valued at \$21,839. The computer equipment was not transferred until 1992. Since this project was under the control of EPA Region 1, the Property Officer made several attempts to transfer property accountability to Region 1. As of August 1999, this transfer did not occur. The EMS had recommended that the property be transferred to Region 1 in her April 22, 1996 Event Cycle Report. Again, we see problems which have been identified but not resolved over a long period of time. The ADPO needs to establish procedures for resolving problems identified either through internal control review or his staff.

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## **CONCLUSION**

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The Property Officer was aware that property management needed to be improved. However, he needed support from Senior Management to implement many of the changes needed. Senior Management needs to assure that the Property Officer and Custodial Officers are adequately trained and knowledgeable to carry out their responsibilities. Senior Management also needs to show that it supports the Property Officer by designating Custodial Officers on a timely basis and assuring that annual inventories are conducted. Senior Management was responsive to our recommendations and already started implementing various corrective actions. A Property Management expert from Headquarters was scheduled for two trips to AED to assist the Property Officer in establishing a property management system.

**RECOMMENDATIONS**

We recommend that the Acting AED Director and ADPO:

1. Require current Custodial Officers to immediately accept responsibility of their property accounts by providing written acceptance.
2. Establish the practice of designating new Custodial Officers prior to the departure of the current Custodial Officers. Before the current Custodial Officer leaves, the current and new Custodial Officers along with the Property Officer should inventory the property account. All discrepancies should be resolved and the new Custodial Officer should sign for the property account at the completion of the inventory.
3. Require the Property Officer and Custodial Officers to receive adequate training in property management and up-dates as needed.
4. Certify annually as part of the organization's Internal Control review that all Custodial Officers within the organization have been appointed and received training and that annual accountable property inventories have been conducted and submitted to the Property Accountable Officer.
5. Instruct the Property Officer to evaluate the use and need of property during annual inventories.
6. Require the Property Officer to routinely correct IFMS based upon results of annual inventory.



7. Establish a system of internal controls to document and account for all current and future loaned Government property.
  8. Perform a complete inventory of all returned equipment (loaned through an RLA) documenting that all property is accurately accounted for and timely entered into IFMS.
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**ORD RESPONSE**

The AA wrote:

Since the time of this audit, AED has made significant progress in strengthening property management. Specifically, from August 1-6, 1999, an EPA property expert conducted property management training at AED. During that period, property accounts were verified and property was reconciled. In conjunction with that visit, AED property accounts were adjusted to reflect the new \$5,000 reportable property threshold. Currently, we are planning the return of the property expert to conduct follow-on training. The total amount of accountable property reflected in the OIG draft report as \$6,212,611 is now at \$4,281,243. This reduction is based on deleting items with a value of less than \$5,000 and on the new Property Officer's efforts to exercise the Stevenson Wilder Act, excessing obsolete property.

The AED has also strengthened its security and accountability measures. For example, on December 28, 1999, beneficial occupancy of the new boat house was granted. Since that

area is no longer a construction site, all AED vessels have been relocated to an area where security cameras are in use. Once fire safety issues are resolved, the boat house will be the normal storage site for all vessels. On January 4, 2000, all locks were re-keyed on boats, and field operations storage areas, and old keys and locks were turned over to the AED Security Representative. Also, specialized locks for trailer tongue latches are on order. These locks will prevent unauthorized towing of all AED trailers, or removal of trailers from a vehicle's, fixed towing hitch, on or off site. Additionally, AED has made procedural changes which ensure that the Property Officer has knowledge of property valued at \$5,000 or more, when it is ordered.

ORD requested that we add to the text of the finding that since 1997, the Property Officer had not raised his concerns to Senior Management until the OIG audit in 1999.

Additionally, ORD requested that we revise our statement that accountable property was not adequately "safeguarded" to "inventoried."

ORD also provided a Correction Action Plan (See Appendix 4) responding to each of the finding's recommendations.

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## **OIG EVALUATION**

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We concur with AED's actions to date and with its Corrective Actions for this Chapter. However, we do need clarification on Recommendation 2. ORD's response did not specifically indicate if an inventory and reconciliation would be done when a Custodial Officer departs.

We did not change the text of the finding to read that the Property Officer had not raised his concerns to Senior Management since his 1997 memorandum.

We believe the Property Officer acted appropriately by advising management of his concerns. Management did not act upon those concerns. While work is a team effort by both management and staff, management did not accept its share of responsibility in this matter.

We did not change our use of the word “safeguard” to “inventory” because maintaining an inventory was not our only concern. As already reported in the finding, custodial officer designations were out-dated, loaned equipment was not monitored, and equipment need/use was not determined. To safeguard is to take precautionary measures to protect. In our opinion, AED had not taken adequate precautionary measures to protect all its property. We believe ORD’s response describing further efforts taken to strengthen security and accountability support our statement.

Also, EPA’s *Personal Property Policy Manual* explains that management of property must ensure that items are “safeguarded.”

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## **CHAPTER 5**

### **IMPROVEMENTS MADE IN OVERSIGHT OF COOPERATIVE AGREEMENTS BUT NOT INTERAGENCY AGREEMENTS**

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AED had made improvements in its oversight of cooperative agreements but not interagency agreements (IAGs). Funding for cooperative agreements reviewed was for appropriate AED activities (pre-doctoral and post-doctoral research). The Project Officer and Local Site Representative diligently monitored grant activities and maintained adequate documentation to assure that the terms of the agreements were met. As a result, these cooperative agreements helped fulfill AED's research mission to support science. Specifically, these agreements supported training and development of young environmental scientists who conduct environmental and ecological research.

The Project Officer for the IAG, however, did not assure that status reports or support for costs were received and reviewed. The IAG Project Officer admitted that he was remiss in carrying out his responsibilities. As a result, we could not confirm if progress was made in AED's oversight of IAGs.

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#### **Prior Audit Findings**

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In our June 16, 1993 report, *Management of Extramural Resources at the Environmental Research Laboratory, Narragansett, Rhode Island*, we reported that cooperative agreements were improperly used to fund a day care center; IAG's were inappropriately used to fund foreign national travel; and EPA

education policy was circumvented so that EPA employees could receive advanced degrees. Except for oversight of IAGs, improvements have been made.

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## **Cooperative Agreements**

AED used the appropriate vehicle of a cooperative agreement to fund projects related to AED's mission. These sampled cooperative agreements were for pre-doctoral and post-doctoral candidates. From these candidates, AED gained information and data from peripheral research topics to add to in-house research. Additionally, AED Project Officers did a good job monitoring their projects. We sampled two cooperative agreements from a universe of four active cooperative agreements.

The Project Officer for the National Research Council (NRC) cooperative agreement is located in Washington DC. The Local Site Representative located in Narragansett interacted with the Project Officer but had limited responsibility such as preparing preliminary cost estimates, opportunity announcements, and decision memoranda. In addition, the Local Site Representative maintained unofficial fund tracking records. All decisions regarding candidates, their salaries, benefits, and travel were made by NRC.

The NRC cooperative agreement (CR826388) was for the period of February 1, 1998 to January 31, 2001. The total dollar value of the agreement was \$7,728,000, however, only \$165,000 was allocated to AED. There were three active associates at the Laboratory under the NRC cooperative agreement, however, two other candidates were being considered as well.

The Project Officer for the University of Rhode Island (URI) Cooperative Agreement maintained information

required under the agreement. Progress reviews and mentor evaluations were completed at 6 months and 12 months respectively. The Project Officer also informally followed progress through the monthly Science Council meeting. The Project Officer did not receive invoices for expenditures because she was not the Certifying Officer. URI submitted invoices to EPA's Las Vegas office for payment. The Project Officer explained that the process was similar to a revolving fund. The Project Officer was not involved in that aspect of the cooperative agreement. However, the URI point of contact did provide the Project Officer with financial information which showed each student's expenditures.

The URI cooperative agreement (CT825802) was for the period August 1, 1997 to July 31, 2000. The total project period costs were \$367,286. The Senior Resource Official approved the award package with the understanding that the total funding under the cooperative agreement may exceed \$1,000,000 but will not exceed \$5,000,000. The cooperative agreement was established to provide expanded training opportunities and collaborative support for fellowships at the undergraduate, graduate, and post-doctoral levels to increase the effectiveness and number of future independent scientists who will conduct environmental and ecological research.

As a result of the monitoring and involvement of the Project Officer and Local Site Representative, the cooperative agreements appeared to be achieving their intended purpose.

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**Day Care Center**

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In response to our prior audit, AED closed the day care center on March 24, 1992. Since that time, the day care center has remained closed. According to

the Extramural Management Specialist (EMS), there are not enough Federal employees with children to justify opening a day care center.

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## **Training**

AED generally complied with training regulations except in one case. This occurred because AED's prior Director allowed, regardless of training policy, the employee to take courses as part of the Individual Development Plan (IDP). As a result, the employee took three university courses during duty hours and the government paid for one of those classes. Another class was paid for by the government, though the class was taken during non-duty hours.

According to Title 5 - Administrative Personnel: An Agency may not authorize training for an employee to obtain an academic degree. In the IDP, the development objective was "continue to take courses at the University of Rhode Island toward a Bachelor of Science in Political Science (Public Administration)."

The new ADPO took corrective action immediately after discovering the problem in November 1998. He communicated with the Labor Relations Specialist and the employee. The Labor Relations Specialist wrote, "You cannot grant excused absence unless a determination has been made that the training is primarily for the benefit of the government." As a result, the ADPO required the employee to take either leave without pay or annual leave for courses taken during duty hours.

According to the EMS, employees can no longer get reimbursed for classes paid in advance. Each course must be approved one at a time. Employees will be



reimbursed only for those courses which will enhance job performance.

## **Interagency Agreement**

The Project Officer for the interagency agreement sampled did not aggressively pursue cost breakdowns or status reports. As a result, the Project Officer may have approved invoices for costs not authorized in the agreement. Not adhering to the requirements for quarterly reports and breakdown of costs could result in EPA paying for work which was either not performed or not allowable under the agreement.

One of three active interagency agreements was sampled. The National Oceanic and Atmospheric Administration (NOAA)-EPA IAG (DWI3937902) was for the period July 1, 1997 to June 30, 2001. The amount of the award was \$325,000. The objectives of the IAG were to determine the current condition of the harbor using both standard measures of ecological condition and new, innovative, and potentially sensitive measures of biological response. The IAG also provided an opportunity for EPA to maintain a collaborative effort with NOAA. According to the IAG's Statement of Work, the objective was to address major components of a competitive Regional Environmental Monitoring Assessment Program proposal and research plan submitted by Region 2 for monitoring the New York/New Jersey harbor.

The terms and conditions of the NOAA IAG specify that:

1. When requesting payments a breakdown of the cost associated when the billings request must be provided to the Project Officer. This information should allow the Project Officer to determine that costs billed to EPA are reasonable and necessary. If the information is not provided, the EPA Project Officer will

notify FMD [Financial Management Division] to suspend or charge back the payment of the invoice; and

2. NOAA will provide to the EPA Project Officer quarterly progress reports containing project name and IAG; summary of work performed for that quarter; estimate of the percentage of project completed; accounting of funds expended; summaries of all problems; projected work for the next reporting period.

The Acting Assistant Administrator for Research and Development sent a November 16, 1993 letter to all ORD employees regarding Management of Extramural Resources. Particularly, it states:

It has been and is the responsibility of the Federal employees who manage these funds to assure that they are expended in accordance with the relevant Federal laws and regulations and Agency policies and procedures. Consequently when EPA scientists become involved with expending extramural funds they must assume the related management responsibility. And just as good science requires well documented data, good management of Federal funds also requires documentation and adherence to establish management procedures and controls.

Two invoices were received by the EPA Project Officer, however, there was no supporting documentation attached to the invoices. The Project Officer certified the invoices for payment because he determined that sufficient progress had been made by the other agency to support the progress payment as authorized by the IAG.

The Cincinnati Finance Office did not have the supporting documentation for the invoices and assumed the Project Officer had that information. Additionally, the National Oceanic Atmospheric Administration (NOAA) Project Officer did not have the backup documentation available to support the invoices. The NOAA Project Officer explained that the NOAA budget person worked from home a lot and maintained the backup documentation. The NOAA Project Officer did provide a summary e-mail of how EPA funds were disbursed by FY 1998 end. However, these costs were not broken down to support the invoices. Since backup documentation was not obtained for the two invoices totaling \$78,204.29 (\$39,869.96 & \$38,334.33), there was no guarantee that EPA did not pay for foreign national travel or other expenses not covered under the IAG.

Additionally, the Project Officer admitted that he was not receiving quarterly progress reports and that he had been negligent in not following up with NOAA. He said that quarterly reports should not have been stipulated in the agreement because there were long periods of inactivity during the project. The Project Officer added that he did a lot of monitoring through telephone conversations.

---

## **CONCLUSION**

The Project Officers for cooperative agreements improved oversight by assuring that agreement conditions were met. Weaknesses in IAG oversight continued because the Project Officer did not use the agreement as a guideline for monitoring performance and costs. The 1993 OIG report found that the IAG was used as a mechanism to circumvent EPA regulations to fund foreign nationals and international travel by non-EPA employees. Since then, ORD developed policies and procedures for international travel and guest workers. However, without the

supporting documentation required by the agreement, we could not determine the reasonableness of the IAG costs.

## **RECOMMENDATIONS**

We recommend that the Acting AED Director instruct the IAG Project Officer to:

1. Obtain and review supporting documentation as required by the IAG for all costs charged to date and in the future.
2. Attach the cost breakdown of the expenses to the invoice.
3. Review cost breakdowns for allowability and applicability to the IAG.
4. Maintain the cost breakdown in the records.
5. Obtain quarterly status reports as specified in the IAG. If there has been no activity a note should be written to the file.

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## **ORD RESPONSE**

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ORD disagreed with the general conclusion that no improvements in IAG oversight were made. ORD believed it was unfair to make a broad statement based on a sample of one IAG.

ORD also provided a Correction Action Plan (See Appendix 4) responding to each of the finding's recommendations.

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## **OIG EVALUATION**

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Although we sampled one IAG, we feel our judgmental sample was fair. There were three active IAGs totaling \$391,389 at AED during the time of our review. The IAG selected was for \$325,000, or 83% of IAG active funds.

Lack of documentation for IAG costs was a repeat finding from our 1993 report. Specifically, the 1993 report stated:

Narragansett officials were unable to provide us with documentation to support the expenditure of funds, and stated that NOAA was responsible. NOAA could not provide documentation to support the expenditure of the funds for this IAG.

Although this is not the same IAG as reported in the 1993 audit report, it is the same Federal Agency with whom EPA entered an agreement. Considering the above facts, we feel our conclusion was appropriate.

We concur with ORD's Corrective Actions to this Chapter.

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# APPENDIX 1

## SCHEDULE OF SAFETY FINDINGS

<b>Priority *B Findings: Finding No. Per Report</b>	<b>Description:</b>
19	No forklift inspection and maintenance records are available, nor is there any documented schedule or personnel assigned to inspect forklifts. Regular inspections and maintenance are essential to ensure that the equipment operates properly.
20	The AED-N facility does not currently maintain a list of personnel authorized to use forklifts. Review team noted that personnel not formally trained in forklift operation when using forklifts at facility. Training is necessary to operate forklifts in a safe manner.
22	Review team noted exceptions to AED-N's hoisting and rigging program: -Hoist equipment maintenance records and inspection and maintenance schedules were not available for review. -Not all hoists were labeled with appropriate load rating. -The facility does not have personnel designated and authorized to use hoist equipment. Inadequate hoisting and rigging program could lead to potential workplace hazards caused by operator error or equipment failure.
25	Review team was not able to identify an established hot works permit system. Hot work needs to be authorized to prevent potential combustion with nearby materials and to ensure that no sources remain after hot work.
26	Temporary wiring was observed for fixed wiring applications. Temporary wiring could be damaged more readily than fixed wires and cause shorts and fires.

\* Priority B is assigned to deficiencies that could lead to regulatory enforcement action or to unacceptable safety, health and environmental risk.

Prio

<b>Priority *C Findings: Finding No. per report</b>	<b>Description:</b>
8	Both doors at the upper level of the lobby area at the main entrance did not latch; one was held open by a coordinating device. -The stair door to the mezzanine of the wet Lab building did not close and latch fully. -The fire door to the boiler room did not close and latch when the exhaust fan was operating.
9	Battery charging area located in Room 113A. Batteries operate telephone systems during power outages. The fire door has no closer and the partition does not extend to the floor slab above; it ends above the suspended ceiling. These conditions compromise the fire separation of the battery charging operation.
13	A flammable liquids storage cabinet in Bay 103 (Lopez Cabinet) of the support services building has an open vent connection. This could allow flammable vapors to exit the cabinet into the several building space.
17	Four locations of unguarded floor openings. Personnel and equipment could potentially fall through these opening to lower levels causing injury to workers who have fallen and/or injure workers at lower levels.
18	The hoods in the FSB building specifically room 196, have not been certified since October 1994. It is unknown if they are operating as designed and properly capturing the vapors during work procedures.
23	Machines designed to be permanently fixed were on wheels. Such equipment could move resulting in injury to operators.
24	Tongue guard affixed to a grinder was found to be in an improper position. This could cause material to jerk from operators grip and potentially cause injury.
27	Review team noted exceptions to proper electrical grounding practices: -Extension cord and vacuum cleaner had its ground prongs removed. -Vacuum cleaner had its ground prong removed.
28	Three Junction boxes exposing electrical wires and two electrical outlets hanging on flexibility ends from fixed wires. Inadequate protection from exposed wiring and improper wiring methods may result in electrical shorts, posing a potential fire hazard and could potentially injure workers from electrical shock.
29	Ground-fault circuit interrupters (GFCI) outlets were not labeled. Facility was in process of doing so.

\* Priority C is assigned to deficiencies that would have a minimal impact on human safety and health and the environment, but could result in limited regulatory enforcement action.



## APPENDIX 2

### SCHEDULE OF CUSTODIAL ACCOUNTS

Custodial Account #	Date Accepted Resp.	Date Conducted Inventory	1997 Total Dollar Amount (\$)	1999 Total Dollar Amount (\$)
226	BLANK	BLANK	\$33,956	\$32,110
240	BLANK	BLANK		\$1,337,887
244	BLANK	BLANK	\$499,027	\$567,938
245	BLANK	BLANK		\$88,146
257	BLANK	BLANK		\$140,829
271	BLANK	BLANK	\$440,239	\$528,970
273	BLANK	BLANK	\$69,304	\$12,051
277	BLANK	BLANK	\$35,425	\$24,890
280	BLANK	BLANK	\$12,121	\$5,576
283	BLANK	4-3-97	\$38,497	\$22,265
285	BLANK	BLANK	\$33,268	\$33,268
286	BLANK	BLANK	\$329,174	\$311,278
287	BLANK	BLANK	\$62,001	
288	BLANK	BLANK	\$30,798	\$29,347
293	BLANK	4-3-97	\$47,776	\$46,329
294	BLANK	BLANK		\$37,664
<b>GRAND TOTAL</b>			<b>\$1,631,586</b>	<b>\$3,218,548</b>

The following chart identifies the four accounts of the retired/resigned Custodial Officers.

Custodial Account	Retired/Resigned	1999 (\$)
244	Retired	\$ 567,938
257	Retired	\$ 140,829
285	Resigned	\$ 33,268
288	Retired	\$ 29,347
<b>TOTAL</b>		<b>\$ 771,382</b>

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## APPENDIX 3

### SCHEDULE OF 1999 INVENTORY

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<b>GRAND TOTAL</b>		
	<b>ACCOUNT</b>	<b>TOTAL</b>
1	226	\$32,110
2	240	\$1,337,887
3	242	\$0
4	244	\$567,938
5	245	\$88,146
6	252	\$62,826
7	257	\$140,829
8	271	\$528,970
9	273	\$12,051
10	274	\$8,357
11	275	\$1,143,358
12	276	\$586,200
13	277	\$24,890
14	278	\$319,472
15	279	\$56,043
16	280	\$5,576
17	281	\$14,563
18	283	\$22,265
19	284	\$66,217
20	285	\$33,268
21	286	\$311,278
22	288	\$29,347
23	289	\$56,580
24	290	\$6,503
25	291	\$6,503
26	292	\$115,564
27	293	\$46,329
28	294	\$37,664
29	295	\$96,277
30	296	\$208,728
31	897	\$246,872
		<b>\$6,212,611</b>

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# APPENDIX 4

## ORD'S RESPONSE TO OIG DRAFT REPORT



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

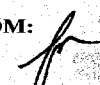
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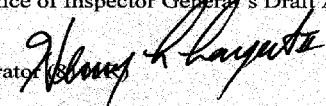
MAR 16 2000

OFFICE OF  
RESEARCH AND DEVELOPMENT

### MEMORANDUM

**SUBJECT:** Response to the Office of Inspector General's Draft Audit Report #1999-211

**FROM:**  Norine E. Noonan  
Assistant Administrator (2421)

**TO:**  Elissa R. Karpf  
Deputy Assistant Inspector General  
for External Audits (2421)

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft report on extramural and property management at the National Health and Environmental Effects Laboratory (NHEERL) Atlantic Ecology Division (AED), located in Narragansett, RI. In general, we concur with the report's findings and recommendations. We thank you for the opportunity to discuss our primary concerns on a March 1, 2000 teleconference. As a result of that teleconference, we appreciate your willingness to modify the final report title and that your final product will portray the circumstances surrounding the identified issues.

The Office of Research and Development (ORD) considers OIG audits very seriously. We see them as an opportunity to identify areas needing improvement. Our goal of "sound science" must be achieved with quality management of our resources. For that reason, we were concerned by the statements in the draft report attributed to the AED Acting Director. I assure you that these management issues are given the highest priority in all ORD organizations, including NHEERL.

We appreciate the time and effort that you and your staff put into this audit. This report has brought to our attention important property management issues. We fully realize that without proper implementation of property management safeguards, the Environmental Protection Agency's (EPA) property may be vulnerable.

Since the time of this audit, AED has made significant progress in strengthening property management. Specifically, from August 2-6, 1999, an EPA property expert conducted property management training at AED. During that period, property accounts were verified and property was reconciled. In conjunction with that visit, AED property accounts were adjusted to reflect

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the new \$5,000 reportable property threshold. Currently, we are planning the return of the property expert to conduct follow-on training. The total amount of accountable property reflected in the OIG draft report as \$6,212,611 is now at \$4,281,243. This reduction is based on deleting items with a value of less than \$5,000 and on the new Property Officer's efforts to exercise the Stevenson Wilder Act, excessing obsolete property.

The AED has also strengthened its security and accountability measures. For example, on December 28, 1999, beneficial occupancy of the new boat house was granted. Since that area is no longer a construction site, all AED vessels have been relocated to an area where security cameras are in use. Once fire safety issues are resolved, the boat house will be the normal storage site for all vessels. On January 4, 2000, all locks were re-keyed on boats, and field operations storage areas, and old keys and locks were turned over to the AED Security Representative. Also, specialized locks for trailer tongue latches are on order. These locks will prevent unauthorized towing of all AED trailers, or removal of trailers from a vehicle's fixed towing hitch, on or off site. Additionally, AED has made procedural changes which ensure that the Property Officer has knowledge of property valued at \$5,000 or more, when it is ordered.

The OIG report has also brought to our attention the need to improve timeliness in remedying known contract management vulnerabilities. The contract management vulnerabilities described in this report were initially raised by the AED Extramural Management Specialist (EMS), in June 1996. Also, AED contractual problems were carefully outlined in a 1997 NHEERL Management Review. We are currently implementing corrective action in this area.

However, ORD believes it is important that the final audit report reflect the staffing difficulties that AED was experiencing throughout its contractual and property problems. The report should show that AED was without a permanent Associate Director for Program Operations from February 1996 to April 1998. The vacancy of this critical administrative supervisory position exacerbated the timeliness and effectiveness of AED's ability to remedy problems in both extramural and property management.

Finally, we believe that AED has made considerable improvement in overall extramural management. Largely, the weaknesses discussed in the 1993 OIG audit have not reoccurred. We are concerned that the current draft report makes general conclusions about AED's contract management progress based on AED's problems with a single contract (O&M), which had already been identified by both the EMS and an NHEERL Management Review. Moreover, at the time of the OIG audit, significant corrective actions had been made or were in progress. For example, a new Project Officer was hired and a new contract was in the solicitation process. Further, as we discussed in our teleconference, we strongly believe that the Contract Management Division shares our responsibility for the effective contract management.

We remain concerned with the OIG's conclusion that improvement in the oversight of IAGs has not been made. This conclusion was based on the review of only one IAG. This limited exploration and sweeping conclusion does not represent the progress that AED has made in this area.

Attached is ORD's consolidated, page-specific comments which we offer for incorporation in the final report. We have also included our corrective action plan. Should your staff have questions or require further information, please have them contact Cheryl Varkalis at (202) 564-6688.

Attachments (2)

cc: Paul McKechnie  
Linda Fuller  
Cathy Jenson  
Henry Longest  
Debbie Dietrich  
Peter Durant  
Arnold Bloom  
Cheryl Varkalis  
Ann Akland  
Gilman Veith  
Patricia Jackson  
Karen Dean  
Norman Rubinstein  
Glenn Moore  
Carol Ann Sakiewicz

Attachment 1

**Consolidated ORD Comments  
on  
OIG Draft Audit Report #1999-211  
NHEERL  
Atlantic Ecology Division**

1. Title page (back)-Draft Report states:

"Office of Air and Radiation"

RESPONSE: We request the following change to this portion of the draft report:

"Office of Research and Development"

2. On pages ii, and 8, the draft report states:

"..... however, this position was in a state of transition for a period of time."

RESPONSE: We request the following change to this portion of the draft report:

"..... however, AED was without a permanent ADPO from February 1996 until April 1998."

2-a. On page 9, please add the following text to the final report:

"However, AED was without a permanent ADPO from February 1996 until April 1998. This staffing limitation is critical to understanding the delays in dealing with all of the issues raised in this report. On February 18, 1996 the Associate Director for Program Operations (ADPO) transferred to the AED detachment in Annapolis, MD (now located at Fort Meade, MD). An Acting ADPO was put into place; however, he had limited management experience and was required to maintain the workload for his position of record along with serving as the Acting ADPO. AED began the recruitment process to fill the ADPO position on a permanent basis on April 28, 1997. The Merit Promotion closed on July 28, 1997 and the OPM Vacancy closed on August 15, 1997. Because this position is critical to improving management and operations at AED, the interview process was extensive and time consuming. The position was not filled until April 19,1998."

Discussion: This clarifies the staffing situation by providing specific information on what is meant by "transition."



3. On pages iii, 8, 16, and perhaps other sections, the draft report states:

"In the area of contract management, progress was not made since the June 16, 1993 OIG Report."

RESPONSE: We request the following change to this portion of the draft report:

"In the area of contract management, there continued to be problems with one of the contracts that was audited." Or change to "there was limited progress."

Discussion: This conflicts with other statements in the report that there was "limited improvement" (e.g. title of next section, and chapter).

4. On pages iii, 11, and throughout the body of the draft report, the statement is made that Project Officers on the O&M contract did not have an adequate "background in contract management."

RESPONSE: We request the following change to this portion of the draft report to replace the term "contract management" with "facilities management" and/or "good contract management skills."

Discussion: All individuals tasked as Project Officer were fully trained and therefore had the required background. The O&M PO did not have adequate background in facilities management. Therefore, it was difficult for him to manage the facilities work which was under contract. An alternative re-wording is that the PO did not have "good contract management skills."

5. On pages iii, and 36, the statement is made that AED Senior Management "ignored" property concerns.

RESPONSE: Request that in regard to the property management issue, all occurrences of the word "ignored" be changed to "did not take appropriate actions to evaluate the seriousness of these issues."

Discussion: As is explained within the OIG Draft Report, the AED Acting Director was led to believe the property management issues were "minor."

6. On page 2, the draft report states "Under the supervision of the Deputy National Director for Ecology..."

RESPONSE: This should be "..... the NHEERL Associate Director for Ecology."

7. On page 11, the draft report states "1) the former ADPO was not fully qualified.

" RESPONSE: Request to change word "former" to "Acting."

Discussion: "Former" refers to the previous permanent ADPO, which is not the case here.

8. On page 11, the draft report provides the actual performance ratings of the PO. We believe this is subject to Privacy Act concerns and should be removed.

9. On pages 12 and 20, the draft report leaves the impression that AED did not seek the advice or support of the Contracting Officer (e.g., "AED kept to themselves.")

RESPONSE: We request the following text be included into the text of the draft report:

The O&M Contract was awarded by CMD-Cincinnati and was subsequently moved to CMD- RTP in March 1997. The individual that the OIG spoke with was the Contracts Specialist at the time of the audit. Over the course of this contract, AED's EMS contacted at least eight different Contracting Officers and Specialists about contract management issues related to this specific contract. In fact, the EMS sent a copy of her June 1996 internal review of this contract to CMD- Cincinnati. In addition, some of these issues were raised again with the CMD-RTP Contracts Specialists who visited AED in 1997. However, AED was not successful in obtaining assistance from CMD. The inability to obtain assistance from CMD further hindered AED in their management of this contract.

Discussion: We feel strongly that this leaves the reader with a false impression, and that there were extenuating circumstances surrounding the O&M contract, which made it exceedingly difficult to improve management.

10. On page 16, the draft report states:

"We are concerned that NHEERL's comments may impair one of AED's effective means of overseeing extramural management .... We would not be writing this report if the 1996 EMS recommendations had been resolved."

RESPONSE: The NHEERL Management Review report did not question the EMS's reviews of extramural management. That is one of the important duties of the EMS. What was of concern in the review was the *effectiveness* of the extensive documentation that the EMS put in the PO's files as a result of the review. The NHEERL Management Review recommended that a more concise and effective means of communication (e.g., advising, counseling) be utilized by the EMS to help the AED PO's in solving their extramural management problems.

11. On page 16, under the Conclusion: As noted in our cover memo, we would like to see some reference to the fact that the key administrative operations position-that of ADPO, was without a

permanent, well-qualified person, from February 1996 to April 1998. The absence of a permanent ADPO is critical to understanding why most of these findings were not dealt with in a timely and effective manner.

12. On pages 19 and 20, the draft report refers to a poorly written SOW, which was vague and ambiguous.

RESPONSE: The complexity and ambiguities of the SOW of this contract were also noted in the 1997 NHEERL Management Review. It was the opinion of the two former Contracting Officers on that team that the contract was so complex and ambiguous that it would be difficult for anyone to manage. This is why we strongly feel that it is of the utmost importance for the Contracting Officer to work with the Project Officer and EMS to ensure the award of a clearly written, sound contract. We believe that contract management is a team effort and that CMD has shared responsibility in ensuring that EPA can hold contractors responsible for the work that they are getting paid to do.

13. On page 22, the draft report states:

"The Project Officer stated the Contractor, not AED, filled-out on the work order form, the start and completion dates, estimated and actual hours to complete the work, as well as estimated and actual material costs. The Contractor physically possessed all work order documents."

RESPONSE: We request the following change to this portion of the draft report:

"The Project Officer stated that the Contractor, not AED, entered data from Work Orders into the status program including the start and completion dates. The Contractor also filled-out the portion of the Work Order form dealing with estimated and actual hours to complete the work as well as estimated and actual material costs."

Discussion: AED believes that there was a misunderstanding on this issue. An AED employee always originates work order forms. While the Project Officer did not complete the estimates or dates on the forms, the Project Officer did have a log of all Work Orders submitted to the Contractor which indicated the date each was forwarded to the Contractor for action. The confusion may be in that the Contractor was the only one who entered information into the status log.

14. On page 25, the draft report states:

"The AED Acting Director also stated that the principal purpose of the laboratory was science and although he realized there was no excuse for poor contract management. However, he stated he didn't believe the nature of the problems with the O&M contract management affected laboratory operations and he was assured by his managers that corrective actions from previous audits were in place."

RESPONSE: We request the following change to this portion of the draft report:

"The AED Acting Director also stated that the principal purpose of the laboratory was science and, although he realized there was no excuse for poor contract management, he didn't believe the nature of the problems with the O&M contract affected laboratory operations. He also stated that he was assured by his managers that corrective actions from previous audits were in place."

Discussion: Correct sentence fragment in first sentence.

15. On page 26, the draft report states:

"On September 14, 1999, the Contracting Officer sent a letter .....

RESPONSE: We request the following change to the sentence:

"In response to a memo initiated by the AED PO, on September, 14, 1999, the Contracting Officer sent a letter .....

Discussion: This documents the fact that the PO initiated the letter written by the CO.

16. On page 36 and throughout this chapter, the draft report states:

"As a result ..... not adequately safeguarded."

RESPONSE: We request the following change to this portion of the draft report:

Change word "safeguarded" to "inventoried."

Discussion: There are other important ways to "safeguard" property. Inventories are only one.

17. On page 38, the draft report states:

"Without properly designated Custodial Officers, all these activities were not carried out at AED."

RESPONSE: We request the following change to this portion of the draft report:

"Without a full complement of properly designated Custodial Officers, all these activities were not carried out for all Custodial Areas at AED."

18. On pages 39-40, the draft report states that in 1997 the Property Officer sent a memo to the Acting ADPO, requesting training for custodial officers.

RESPONSE: We request the following sentence be added to the text:

"There was no further evidence that the Property Officer raised this concern again with either the Acting AED Director or the permanent ADPO until the time of the OIG's visit."

Comment: We would like the report to reflect that Property Officer did not bring this issue to the attention to anyone else again, including the AED Acting Director or the permanent ADPO, who was appointed in April 1998.

19. On page 54, and throughout this chapter, as noted in our cover memo, we do not believe the general conclusion that there had been no improvement in the management of IAGs is a fair statement, based on a sample of one IAG.

Attachment 2

**Proposed Corrective Action Plan to OIG Draft Audit Report #1999-211  
Follow-up Audit of Management of Extramural Resources  
at the  
Atlantic Ecology Division**

Rec. #	Draft Report Recommendation	Corrective Action	Action Official	Due Date
2-1	Instruct the ADPO to establish contract and property management procedures which will assure that resources are used effectively and safeguarded. Also, the ADPO should routinely monitor progress to assure that the procedures are followed and delivering results.	<ol style="list-style-type: none"> <li>1. Due to changes in CMD policy, property issues with contracts are moot. AED will not propose providing any property under contract except for "purpose of" property for maintenance and repair.</li> <li>2. As part of corrective actions initiated by the last Management Review, AED is in the process of updating all Standard Operating Procedures (SOPs). SOP 8.1 Property Management is scheduled to be re-written from ERL-Narragansett SOP B-5. This will furnish guidance to employees.</li> <li>3. Verification that the annual Property Inventory has been completed will be part of the FMFLA process and will be reported in the Annual Assurance Letter.</li> </ol>	Acting AED Director	<ol style="list-style-type: none"> <li>1. N/A</li> <li>2. Tied to Union Negotiations</li> <li>3. 9/00 and ongoing</li> </ol>

<p>3-3</p> <p>Define time frames such as "routine", "emergency", etc. given to the Contractor.</p>	<p><i>Paragraph EE of the Statement of Work included in solicitation PR-NC-99-12745 provide the contractor with the following definitions (see attachment):</i></p> <p><i>Emergency - respond within 1 hour and continue until corrections complete</i></p> <p><i>Urgent - completed within five (5) workdays after receipt of an approved Work Order by the contractor</i></p> <p><i>Routine - completed within twenty (20) workdays after receipt of an approved Work Order by the contractor</i></p> <p><i>The Project Officer shall hold the contractor accountable for these response times.</i></p>	<p>Acting AED Director</p>	<p>Completed 12/99</p>
<p>3-4</p> <p>Develop a tracking system to assure that work was completed and completed on a timely basis by Contractor.</p>	<p><i>The Project Officer has indicated that he will develop a system to track work. He is in the process of reviewing the current system which will be relinquished by the incumbent contractor. In the interim, he may use a manual system.</i></p>	<p>Acting AED Director</p>	<p>9/30/00</p>

2-2	Assure that staff understand their responsibilities and are held accountable.	<ol style="list-style-type: none"> <li>1. Training and reminders will be provided throughout the year.</li> <li>2. Annual and Semi-Annual performance reviews will provide an opportunity for supervisors to remind staff of specific duties.</li> <li>3. The Property Officer shall notify SMT of the status of Custodial Area inventories prior to review periods.</li> </ol>	Acting AED Director	<ol style="list-style-type: none"> <li>1. Ongoing</li> <li>2. Annually &amp; Semi-Annually</li> <li>3. Annually &amp; Semi-Annually</li> </ol>
2-3	Develop a formal system to resolve weaknesses identified in Event Cycle Reports. A corrective action plan should be developed with specific staff identified to carry out actions. Milestones should be set and progress along with success should be measured.	<ol style="list-style-type: none"> <li>1. AED will develop a formal system to resolve weaknesses identified in Event Cycle Reports. The IT Coordinator is reviewing software packages for milestone charts.</li> <li>2. The ADPO will be responsible for the corrective action plan. It will be reviewed as part of his annual and semi-annual performance review.</li> </ol>	Acting AED Director	<ol style="list-style-type: none"> <li>1. 9/30/00</li> <li>2. Annually &amp; Semi-Annually</li> </ol>
2-4	Seek out expert assistance from Headquarters, Research Triangle Park, etc.	Subject matter specialists within AED have made contact with their counterparts as well as levels above at Headquarters, RTP, etc. Management can secure points of contact from them as well as through the NHEERL chain of command.	Acting AED Director	Ongoing
3-1	Instruct the O&M Project Officer to: Complete estimated hours and costs on work order forms and maintain work orders.	The Project Officer will complete estimated hours and costs on work order forms.	Acting AED Director	Ongoing



3-5	Use the work order form developed by ADP Project Officer for all contracts so that requesters or another appropriate official can sign-off as approving completed Contractor work.	<i>The Project Officer is in the process of developing a Work Order Form specifically for the new O&amp;M Contract. It will include a sign-off block for requestor approval. He anticipates completion of the form by 3/13/2000. The new form will replace the current on the AED Forms section of the Intranet.</i>	Acting AED Director.	4/1/00
3-6	Instruct the ADPO to meet weekly with the Project Officers to review the status of work orders and take corrective action as necessary.	<i>There is a weekly POS meeting attended by all contract Project Officers. This is the forum where they can bring up problems for ADPO assistance. The status of work orders will be reviewed during this meeting. This semi-public forum would also allow the SHEMA and the Security Officer as well as other Project Officers needing coordination with the O&amp;M contractor to bring up issues.</i>	Acting AED Director	Ongoing weekly meetings
3-7	Instruct the Extramural Management Specialist to review Project Officer procurement requests to assure that contract provisions are met.	<p><i>1. The new Project Officer for the O&amp;M contract has excellent contract management skills, and knowledge of the contract. He will carefully ensure that all contract provisions are met.</i></p> <p><i>2. A review of the contract will be scheduled as part of the events cycle documentation. At that time, this decision can be revisited.</i></p>	Acting AED Director	<p>1. Ongoing</p> <p>2. 9/01</p>

4-1	<p>Ensure that current Custodial Officers immediately accept responsibility of their property accounts by providing written acceptance.</p>	<p><i>This action is complete. A chart has been developed which shows the date each Custodial Officer signed acceptance of his or her property account. The chart will be continuously updated by the Property Officer and provided to supervisors prior to Annual and Semi-annual performance reviews.</i></p>	<p>Acting AED Director &amp; ADPO</p>	<p>9/99 and ongoing</p>
4-2	<p>Establish the practice of designating new Custodial Officers prior to the departure of the current Custodial Officers. Before the current Custodial Officer leaves, the current and new Custodial Officers along with the Property Officer should inventory the property account. All discrepancies should be resolved and the new Custodial Officer should sign for the property account at the completion of the inventory.</p>	<p><i>This practice was initiated with the turnover from the prior Property Officer to the current one. The Property Officer has provided a list of all AED Custodial Officers to the Personnel Assistant. She has agreed to notify the Property Officer as much in advance as possible of the departure of anyone on that list. This will allow the Property Officer time to secure the name of a new Custodial Officer from the appropriate supervisor. AED has already initiated a sign-out sheet for all personnel leaving AED. An individual is required to secure the signature of the officers of all accountable areas prior to his or her departure. Since the final paycheck comes to the Personnel Assistant, there is an automatic enforcement mechanism.</i></p>	<p>Acting AED Director &amp; ADPO</p>	<p>Ongoing</p>

4-3	Ensure that the Property Officer and Custodial Officers are adequately trained and receive updated training as needed.	GSA is offering a two day training course "Property Management for Custodial Officers" in Washington, DC March 15-16 and August 16-17, 2000. AED plans to send one person to this training. That person and an HQ property expert, will return and train all AED Custodial Officers.	Acting AED Director & ADPO	9/1/00
4-4	Document weekly meetings between the ADPO and the Property Officer to ensure that all property concerns discussed are corrected.	Due to the extensive attention and corrective actions already taken we believe that a separate meeting is no longer needed. The ADPO meets weekly with the POS staff, including the Property Officer. The POS Secretary records the minutes which are transcribed and sent to the ADPO for editing. Beyond being able to add items to the agenda, at these meetings, all members of the staff have the opportunity to make public issues in their areas. If an issue requires more time than is appropriate during a full staff meeting, the ADPO and the Property Officer will set a time for a separate meeting to continue the discussion and resolve the issue. The POS Secretary's notes will reflect the time and date of the subsequent meeting and the resolution of the issue will be presented at a subsequent weekly meeting.	Acting AED Director & ADPO	Ongoing

4-5	Certify annually as part of the organization's Internal Control review that all Custodial Officers within the organization have been appointed and received training and that annual accountable property inventories have been conducted and submitted to the Property Accountable Officer.	Each September, the Property Officer will provide a copy of the latest information on training and custodial officer inventories to the MIC to use as documentation supporting a statement in the Annual Assurance Letter.	Acting AED Director & ADPO	9/00 and ongoing
4-6	Instruct the Property Officer to evaluate the use and need of property during annual inventories.	The Custodial Officer sign off sheet for inventories will be adapted to include a choice of statements that either states that all property remains necessary or gives specific disposition instructions.	Acting AED Director & ADPO	Completed 9/99 and ongoing
4-7	Ensure that the Property Officer routinely corrects IFMS based upon results of annual inventory.	Due to workload variations during sampling season, all custodial officer inventories will be completed during the month of December each year. The Property Officer will update IFMS as reports are turned in and will certify accuracy as part of the annual inventory.	Acting AED Director & ADPO	12/00 and ongoing
4-8	Establish a system of internal controls to ensure all current and future loaned Government property is properly documented and accounted for.	SOP 8.1 will include a section on procedures for RLA which will discuss the internal controls.	Acting AED Director & ADPO	Tied to union negotiations
4-9	Perform a complete inventory of all returned equipment (loaned through an RLA) ensuring all property is accurately accounted for and timely entered into IFMS.	A complete inventory of all returned equipment is complete.	Acting AED Director & ADPO	Completed 3/00

5-1	Instruct the Project Officer to obtain supporting documentation as required by the IAG for all costs charged to date and in the future.	1. A Written request will be sent to NOAA. 2. Received documentation will be reviewed within 30 days of receipt.	Acting AED Director	1. 4/1/00 2. 6/1/00
5-2	Ensure the cost breakdown of the expenses is attached to the invoice.	See 5-1 above	Acting AED Director	6/1/00
5-3	Review cost breakdowns for allowability and applicability to the IAG.	See 5-1 above	Acting AED Director	6/1/00
5-4	Maintain the cost breakdown in the Project Officer's records.	Pre-award, the negotiated cost breakdown is documented in the Decision Memorandum. Post award records of the cost breakdown will include copies of fully supported invoices and progress reports as described in the award document.	Acting AED Director	Ongoing
5-5	Obtain quarterly status reports as specified in the IAG. If there has been no activity a note should be written to the file.	The EMS now performs a quarterly review of active and planned vehicles in OMIS. When a vehicle is awarded, the Project Officer will provide the EMS with a list of required reports/deliverables and the applicable dates. This information will be included in the OMIS ETS entry for the vehicle and the EMS will send out reminder notices on a quarterly basis.	Acting AED Director	Quarterly

# **APPENDIX 5**

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