

OFFICE OF RESEARCH AND DEVELOPMENT


**REPORT ON THE AIR POLLUTION PREVENTION
CONTROL DIVISION
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
RESEARCH TRIANGLE PARK, NORTH CAROLINA**

**ORD MANAGEMENT REVIEW
OCTOBER 1996**

This report contains the findings of the Management Review of the Air Pollution Prevention and Control Division, National Risk Management Research Laboratory, in Research Triangle Park, North Carolina. The review was conducted October 20 -25, 1996, by the EPA staff listed below.

We certify that the contents of this report are accurate and based on information obtained from review of documents provided, interviews of APPCD staff and file reviews.

MANAGEMENT REVIEW TEAM LEADERS:


Sandy Croley, Team Leader
NRMRL, AOS 8/25/97

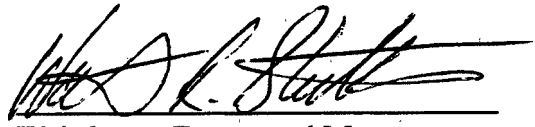

Walt Stutts, Extramural Management
Review Team Leader, ORMA, NERL
8/27/97

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EXECUTIVE SUMMARY

BACKGROUND

The National Risk Management Research Laboratory (NRMRL) conducted a management review of the Air Pollution Prevention Control Division (APPCD), in Research Triangle Park, North Carolina the week of October 20-25, 1996. The review was conducted in accordance with the ORD Management Review Program established September 1994, and covered the fiscal resource management activities of the APPCD.

The object of this review was to assess whether APPCD management and staff were properly using available funds and extramural instruments in compliance with applicable laws, regulations, and Agency and ORD policies and procedures. The review also included an assessment of management controls and procedures in the Division to determine whether they were functioning effectively.

In the entrance conference, the review team met with the Division Director and senior staff to discuss general management issues relevant to APPCD. This discussion covered staffing and personnel, funding, management integrity, financial management, and extramural management issues. The review team interviewed Laboratory management staff, administrative and support personnel, project officers, and work assignment managers. Extensive file reviews were also conducted by the review team. An exit conference was held by the review team members with the Division Director and senior staff. Discussions centered around areas reviewed and concerns raised during the review.

GENERAL COMMENTS

FINANCIAL MANAGEMENT

APPCD management and staff exhibit a strong recognition and understanding of the importance of management controls in this area. The financial management review team did note however, that more detailed records would eliminate valuable time if an outside audit were to occur.

PRINCIPAL FINDINGS

EXTRAMURAL MANAGEMENT

CROSS-CUTTING ISSUES

The review team identified certain weaknesses associated with various types of agreements that have been identified in other management reviews; namely, some files did not

contain evidence of the appropriate level of approval, some of the decision memoranda were not fully developed, and some files were not complete. Conversely, many of the files did demonstrate the appropriate level of approval, did contain well developed decision memoranda and did contain required documentation, including some that were exemplary relative to monitoring activities. Where appropriate, recommendations were made for corrective actions.

COOPERATIVE AGREEMENTS

The review team identified a number of common weaknesses among the assistance agreements that were reviewed, including instances where CAs were modified without ORD and/or GAD approval and where CAs were apparently used to acquire direct support. In addition, the review team believes that there is room for improvement in documenting the competition for assistance awards and in securing better peer reviews. The review team concluded that the root cause leading to these problems was the award of CAs based upon broadly worded, non-specific research narratives which were supplemented after award by the submission of work plans developed collaboratively by EPA and recipient personnel. The review team provided a number of recommendations to address these issues, including the recommendation to evaluate the practice of calling for post-award workplans in light of the concerns identified in this report.

INTERAGENCY AGREEMENTS

The review team again found some problems common to other management reviews in the area of IAGs; namely that some of the SOWs were under-developed and there was a lack of front-end budgets for new agreements. Some SOWs were well developed, and could be used as an example for other agreements.

CONTRACTS

The review team identified few problems with the contracts reviewed, with the primary weakness being a lack of support by WAMs of the PO under a major technical support contract. The review team believes this problem can be readily addressed, if the Division has not already taken appropriate action.

CONCLUSION

Efficient, more detailed record keeping would enable APPCD to better manage financial and extramural management resources. It is recommended that a corrective action plan be developed, implemented and overseen by NRMRL management to ensure proper use and management of extramural vehicles.

APPCD RESPONSE TO THE DRAFT REPORT

The Division Director responded to the draft report by memorandum. In order to

maintain the natural flow of the report, these comments have been inserted where appropriate behind each subject matter. In addition, a copy of the memorandum from the Division Director in its original state has also been included at the end of the report.

Generally, the Division's response lacked a fully developed plan to document the process and report the results to NRMRL management. There is little indication of who will do what and when they will do it. As a result, accountability is vague except that the Division Director will see that the effort is completed. Again, it is recommended that NRMRL management solicit a more fully developed action plan to address the recommendations made by the review team.

The extramural review team has noted their exceptions in a memorandum dated July 2, 1997; Subject: Evaluation of APPCD's Response to the Section 4 of the Draft ORD Management Review Report (March 1997).

The financial management review team has noted two exceptions which have been outlined in a memorandum dated June 6, 1997; Subject: Evaluation of APPCD's Response to Financial Management Review, Section 3 of the Draft ORD Management Review Report (March 1997).

CHAPTER 1 - INTRODUCTION

1.1 PURPOSE

In accordance with the ORD Management Review Program, a management review was conducted of the Air Pollution Prevention Control Division (APPCD), National Risk Management Research Laboratory (NRMRL), in Research Triangle Park, North Carolina. The management review team consists of personnel from the Office of Research and Development (ORD) and the Office of Administration (OA). The data gathering portion of the review occurred October 20-25, 1996.

The object of this review is to assess whether APPCD management and staff are properly using available funds and extramural instruments in compliance with applicable laws, regulations, and Agency and ORD policies and procedures. The reviews also include an assessment of management controls and procedures in the Division to determine whether they are functioning effectively.

1.2 BACKGROUND

The mission of the Air Pollution Prevention Control Division reads, "develops and assesses methods and technologies for characterizing emissions, and preventing or reducing the deleterious effects of air pollutants on human health and welfare, and on the global environment".

APPCD is comprised of five branches (1) Emissions Characterization and Prevention, (2) Air Pollution Technology, (3) Technical Services, (4) Atmospheric Protection, and (5) Indoor Environment Management. The Division conducts fundamental and applied research to: (1) Develop emission methodologies and models; (2) Characterize and evaluate sources and technologies for preventing or controlling volatile organic compounds and hazardous air pollutants; (3) characterize and verify the performance of alternative energy technologies; (4) evaluate technologies and systems contribution to stratospheric ozone depletion; (5) characterize and evaluate sources of indoor environmental pollution; (6) develop, apply, and verify the performance of combustion modification techniques; and (7) develop and verify the performance of innovative technologies.

APPCD's FY 1996 FTE allocation and utilization was 85. Two vacancies were recorded. In addition, APPCD had 50 on-site contractors, 4 off-site contractors and 22 Senior Environmental Employment Program enrollees. The table in Exhibit 1.1 shows the breakdown of on-site personnel. An organization chart and staffing chart of the federal employees are included in Appendices A-1 and A-2.

APPCD managed funds in two appropriations during FY 1996. S&T which includes the

following media: air, hazardous waste, and multimedia and, *Reimbursements*. Total funds were \$22,471,044, including \$312,789 carryover dollars.

1.3 SCOPE AND METHODOLOGY

This management review covers FY 1996 fiscal resource management and internal control activities of the Air Pollution Prevention Control Division. This includes the financial management areas of funds control, travel, bankcard, and timekeeping; the extramural management areas of contracts administration, cooperative agreements, and interagency agreements, and the general management area which covered ethics, internal control and FMFIA.

The overall objective of the review is to assess whether APPCD management and staff are properly using available funds and extramural vehicles in compliance with applicable statutes, regulations, and Agency and ORD policies and procedures. The review also includes an assessment of Division management controls and procedures to determine whether they are functioning effectively.

To prepare for the review, the team was provided with background information; previous audit and management reports and related corrective action plans, financial management reports, contract statements of work, the Division's year-end FMFIA assurance letter and other pertinent documents.

The week began with an entrance conference with the Division Director and senior staff. Comprehensive interviews were conducted with key personnel on subject areas in addition to extensive in-depth file reviews. At the conclusion of the week, an exit conference was held to discuss findings with the Division Director and senior staff.

CHAPTER 2 - GENERAL MANAGEMENT

2.1 BACKGROUND

The review team met with the Division Director; Associate Deputy Division Director; Chief, Administrative Operations Staff; and the Extramural Management Specialist. The purpose of this meeting was to obtain an understanding of Division management, staffing, financial management, and extramural management issues.

2.2 STAFFING ISSUES

The inability to hire has plagued APPCD for many years. One secretarial position has been filled in the last five years. It has been several years since a researcher has been hired and although the contractor conversion has helped somewhat; it in no alleviates the loss of 16 personnel. APPCD showed 99 FTE's in 1996; with 1997 FTE's being reported at 85. The disappearance of these 14 FTE's is very disturbing. At the same time APPCD was decreasing in size, another office within ORD has more than doubled, throughout the "down-sizing and reorganization".

The APPCD Division Director and his senior managers concur that among their critical hires they list in-house technicians, research engineers and organic chemists.

2.2.1 MORALE

Low morale among the Division stems from lack of awards, negative empowerment, lack of communication from ORD along with tighter restrictions being enforced. It is perceived by APPCD that NRMRL senior management and ORD are not enthusiastically opposing the cutting of FTE's, awards and funding that they (APPCD) deem necessary for the mission of the Division as well as the Laboratory.

2.3 FUNDING ISSUES

The Division looks at the historical usage of travel dollars along with prioritization. (1) Project related travel, (2) Professional development and (3) generic trips. The Division Director noted that there seems to be no clear rationale for travel dollars allocated to their Division compared to that of the Immediate Office of NRMRL. (APPCD - 85 people -\$178K/IO -30 people - \$350K.)

Capital equipment >50K is excellent. Enables APPCD to keep state of the art equipment. The purchasing of analytical equipment, which needs updating usually falls in the <50K dollar category where considerable strain is felt. APPCD strongly recommends that pilot scale equipment be considered Capital Equipment, which is considered essential to their Pilot Plant in-house research.

Lack of PC&B dollars for awards continue to be a major concern among all staff members of APPCD.

A constant source of irritation for the staff of the APPCD are the numerous safety hazards they face. Several factors included are the age of the building combined with a leaky roof and outdate plumbing compounded by the dwindling dollars received for Repair and Improvement(R&I). A new building is in the budget of Congress but no target date for completion has been established.

2.4 MANAGEMENT ACCOUNTABILITY (FMFIA)

The review team conducted interviews with the Division Director, Associate Division Director, the Chief, Administrative Operations Staff (AOS), the Internal Controls Coordinator (ICC) and the Extramural Management Specialist(EMS), in an effort to determine whether the Agency's Management Integrity Process was understood and being effectively implemented.

The Internal Controls Coordinator maintains all files and reference materials supporting the Federal Managers' Financial Integrity Act (FMFIA). Provisions are outlined in EPA's June 6, 1994, management integrity policy guidance; the Federal Managers Financial Integrity Act of 1982 (P.L. 97-255) and, Office of Management and Budget Circular A-123 (revised), dated June 21, 1995, on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting and reporting on management controls.

The Division Director holds meetings with his management staff (weekly), all hands (periodically) and branch chiefs (bi-weekly). Information on policies and procedures is distributed by the Chief, AOS to Branch Chiefs for dissemination to all staff. Senior managers have performance standards relating to accountability on polices and procedures. The Division went through the FMFIA vulnerability assessment several years ago, with no significant findings. No recent assessments have been conducted. The Division completes the yearly assurance letter and mid-year review.

The Division rarely adds additional guidance to those policies which originate from ORD or the National Laboratory. Those policies and procedures are closely followed and monitored by the Division Director. Accountability is built in to the appropriate performance standards.

TQM committees worked on Timekeeping, Bankcards and Records Management areas a few years ago and provided written reports to the Division Director. Based on the review of timekeeping, the training for timekeeping was updated.

The annual assurance letter is treated seriously, and the Division has reported several accomplishments, such as Project Officer Training, quality assurance position conversions, and an ADP hire. The Division did not identify any vulnerabilities or weaknesses requiring corrective action.

The Division has experienced some difficulty with administrative/management support in

the contracts area. Their non-ORD support is not as responsive as could be or very service oriented. However, the small purchasing area support is good.

APPCD management and staff exhibit a strong recognition and understanding of the importance of management controls. The Division has implemented and adhered to the controls and the policies from which they derive. APPCD did indicate they would like more communication in management areas between ORMA, the mega-lab and themselves.

2.5 ETHICS

The Ethics review was conducted during the General Management interview with the main respondent being the Division Director.

It was indicated that the Division Director serves as the Deputy Ethics Official (DEO). All managers, supervisors and personnel involved in managing extramural instruments file a Confidential Financial Disclosure Statement. The managers and supervisors have received ethics training. Some of this training has been provided by the management analyst assigned ethics duties. The Division does not currently have any staff serving as adjunct faculty.

APPCD has a DEO and is maintaining the required records.

2.6 DIVISION MANAGEMENT ISSUES

Concerns that APPCD expressed were as follows:

- Would like to be consulted more on the service functions and issues that directly affect the Division (i.e., HR services consolidation, extramural support changes). There is a lack of communication to the Division on these changes.
- "Too much filtration and oversight" on acquisition and assistance processes.
- More delegation needs to be given to the divisions.
- There needs to be a tracking system for the extramural packages that must go through NRMRL and ORMA.
- The Division feels that the single responsibility center concept will result in negative empowerment and will lessen the ability to account for and track. This is another area where communication is lacking on changes being made in the administrative management area.
- The Division Director indicated two extramural planning systems were being utilized within the Division; the ORD Management Information System (OMIS) with the Laboratory Implementation Plan System (LIPS) is utilized along with a separate internal planning system of 1-pagers that is parallel

to OMIS. The Director explained this was currently necessary to ensure the consistency of data while flaws in OMIS are being corrected. Examples of the internal planning system were provided to the Team Leader. The Director indicated he was somewhat disappointed in the lack of fields in the OMIS/LIPS, citing the Common Sense Initiative as an example. He expressed his opinion that OMIS/LIPS needs to be more user friendly and comprehensive. The Director also indicated the Extramural Management Specialist was involved in the planning process.

CHAPTER 3 - FINANCIAL MANAGEMENT

3.1 INTRODUCTION

The review team met with the Division Director; Associate Division Director; Chief, Administrative Operations Staff, and the Extramural Management Specialist. The purpose of the interview was to gain an understanding of APPCD's financial management procedures and processes.

3.2 FUNDS CONTROL

3.2.1 INTRODUCTION

The review team interviewed APPCD's Funds Certifying Officer (FCO) to determine their funds control procedures. The FCO was certified by the Director, ORMA after completing the required ORD FCO training. The APPCD's Management Analyst serves as Alternate FCO. Both FCOs report to the Chief, Administrative Operations Staff and have direct access to the Division Director. Both FCOs are well trained and knowledgeable in Agency and ORD funds control policies and procedures.

3.2.2 REVIEW OBSERVATIONS & FINDINGS

The FCO performs funds control functions for the entire Division which includes the Office of Division Director, 5 Branches and the Administrative Operations Staff. The FCO primarily monitors and tracks the expense and travel budget. The APPCD's Environmental Protection Specialist monitors and tracks the Extramural Budget.

The FCO maintains reference manuals that contain ORD transmittals, Agency policies and procedures, Division delegations and other Federal policies on budget and finance. A review of the selected funding documents showed that files are maintained in an orderly manner with all necessary backup information readily available. The FCO has desk procedures for all funds control operations as required by Chapter 7, Section 6.6.2, ORD Policies and Procedures Manual.

The Division uses planning documents to determine allocations to "tasks." Extramural funds are tracked by the internal task number rather than the ORD Project Number. The Division has one appropriation and five program elements that fund the extramural, expense and reimbursable accounts. Funds availability is tracked using the ORD-3 Report, Division spreadsheets and automated task funding reports. The Chief, AOS oversees funding allocations and expenditures.

APPCD has an automated Document Control Register (DCR). The DCR's information omitted Object Classes, Funding Descriptions and Project Number information. Funding request transactions are entered into the DCR and IFMS on a daily basis. The expense and travel

document control register is kept separately from the extramural register. The primary FCO maintains the expense and travel register, while the Environmental Protection Specialist maintains the extramural DCR. Obligations were not recorded in the extramural DCR. This information is required to properly complete the monthly reconciliation process according to Chapter 7, par. 6.8.1. Documentation supports the reconciliation process being performed but with the missing information it is uncertain if all aspects are being reviewed.

Reconciliations are done on both registers on a minimum of a monthly basis. Reconciliation is performed more often at the end of the fiscal year. It is performed manually using IFMS and the DCRs. Corrections are sent to the appropriate finance office and reviewed the next month to ensure completion. Modifications to commitments and/or travel obligations must go through the same procedures as the original documents.

The Extramural funds are monitored and accounting information is assigned by the Environmental Protection Specialist who is not a certified FCO. However all documents with accounting information are reviewed and signed by the FCO. This arrangement could put the FCO in a difficult situation for funds control certification. The Environmental Protection Specialist is very knowledgeable in the Extramural funds control area, however Project Officer duties preclude this individual from becoming an FCO. If personnel were available to shift the Project Officer duties, the FCO duties in the Extramural area would be properly supported. The FCO and the Environmental Protection Specialist have a close working relationship that does allow this situation to work in the Division's best interest.

DIVISION RESPONSE: AOS did not feel that it was necessary to include the Object Classes (OC) in the extramural Document Control Register (DCR) since the extramural expenditures were limited to only a few OCs. When APPCD's internal data base was established for FY96, we did not recognize the importance of including and tracking by, the OMIS project numbers in the extramural DCR. In FY97 APPCD modified the extramural automated DCR to include the object class and the OMIS project number for each commitment/obligation.

DIVISION RESPONSE: AOS does not receive all obligating documents to input in the DCR. We will make every effort to obtain all obligating documents once we have reviewed the MARS Report.

ACTION TAKEN: All obligations have been entered in the extramural DCR via award documents and shall be kept up-to-date.

3.2.3 RECOMMENDATIONS

3.2.3(a) The review team concluded that APPCD funds control functions are performed in an organized manner and appropriate files are maintained. However, the review team notes that the DCR had some discrepancies that should be corrected. The review team recommends the use of OMIS which will support the project tracking that is needed to correct any DCR omissions. With these corrections, the FCO operations will be in full compliance with established procedures as stated in Chapter 7 of the ORD Policies and Procedures Manual.

DIVISION RESPONSE: It is difficult from the Management Review Draft Report to know what DCR had the discrepancies, therefore, both the intramural and extramural DCRs were reviewed.

ACTION TAKEN: Both the intramural and extramural DCRs have been checked for any discrepancies and, when necessary, corrections made.

DIVISION RESPONSE: The review team recommends the use of OMIS which would support the project tracking that is needed to correct any DCR omissions.

ACTION TAKEN: We are continuing to input into OMIS, run reports, and obtain training on all modules of OMIS, which will help us in many different ways, including project tracking. In FY96 we ran into so many barriers and unknowns that it was difficult to rely on the outputs of the data. We also continued to run into problems that only the OMIS HOTLINE could resolve. I believe that the staff is more aware of the capabilities of OMIS and plan to use it to its full extent.

3.3 TRAVEL

3.3.1 INTRODUCTION

APPCD's Management staff was interviewed regarding general travel management. At the beginning of the fiscal year, Branch Chiefs prepare a travel plan which is reviewed and prioritized according to Division procedures. Top priority is placed on project management. Approximately 10% of the travel budget is reserved for emergencies. Accountability for actual usage is at the Branch level. Division Director monitors for appropriate use at the end of the year.

3.3.2 REVIEW OBSERVATIONS & FINDINGS

Branch Chiefs are the recommending official and the Chief, AOS is the approving official for all Division Travel. Per the Resources Management Directives (Travel Manual, Chapter 2, para 1), all travel approving officials are designated in writing. All international travel is approved by Henry Longest. If changes occur before the trip is taken, an amendment is prepared. If changes occur while in travel status, a statement is added to the Voucher for approval by the Chief, AOS. If no changes occur, the Branch Chief may sign the voucher. The funding for all travel is recorded in the Document Control Register before the approving official signs. All reference materials are kept in the Director's and Chief, AOS's office. IFMS and MARS manuals are available to the Chief, AOS for report purposes.

Resources Management Directives - Travel Manual 2550B, Chapter 3.4 states that frequent travelers should possess a government American Express card. APPCD employees use these cards appropriately. RMD Chapter 2, para 2.b(9), requires vouchers to be prepared within 10 working days of the last day of the trip. Travelers are reminded verbally by Commitment Clerk for Domestic Travel and for International Travel by the Administrative Officer. Division Director feels that the American Express payment process assures prompt vouchering.

Local travel and parking fees are approved if destination is under 50 mile radius from EPA site. The Division has no Site Specific Superfund Travel. International Travel policies include the preparation of an ITP, and a Trip Report upon completion of trip. The Division's international travel is primarily reimbursement travel. The Division occasionally issues invitational travel authorizations to interviewees or peer reviewers. These are done rarely. There is no government contractor travel.

DIVISION RESPONSE: The report states: "The funding for all travel is recorded in the Document Control Register before the approving official signs." This is incorrect. The approving official signs all TAs prior to recording in the DCR.

FILE REVIEWS

File reviews included five local travel reimbursement requests, five domestic travel authorizations and subsequent vouchers, one invitational travel authorization, one international travel authorization and voucher, and two reimbursable (one international) travel authorizations.

3.3.2.1 LOCAL TRAVEL

Local travel reimbursement vouchers included one for a private plane - used to take aerial photographs. Most local travel was authorized for attending or teaching training courses and for trips related to bankcard purchases. All reimbursements were properly documented and records kept appropriately. Per Diem and lodging are not included in local travel reimbursements per EPA Comptroller Policy Announcement Nos. 89-02, 2/27/89, and 89-02 Amendment 1, 11/21/89. EPA Comptroller Policy Announcement No. 89-02, 2/27/89, also requires that each Finance Office define the cities, towns, and counties which are included in the 50-mile radius for the organizations to use as guidelines for local travel reimbursement areas. This document is located in the Division Administrative Officer's office.

3.3.2.2 DOMESTIC TRAVEL

Authorizations were prepared correctly. Some blocks on the TA were left blank such as the "Applicable Regulations" block - This omission is common and the Finance Office does not enforce the requirement. Traveler's information, purpose codes, SFO's and funding blocks were appropriately completed. Some signature dates did not appear on xeroxed TA and Vouchers - commonly due to making the copy before signature and forwarding the original signed document to Finance without an additional copy made with signatures. Therefore, it was difficult at times for the review team to discern whether travel was approved before the trip began. However, further research by the review team secured signature documents from the FCO which verified prior approval was obtained.

Copies of receipts were not available and apparently are not kept at the Commitment Clerk level. Copies of receipts are kept primarily by the Traveler. *(The regulations do not state that copies of receipts must be kept.)*

One authorization showed that the POV was not authorized in the Remarks section of the TA as required by Resources Management Directive (RMD) 2550B Exhibit 3-3 and Item 12 in RMD Chap 4, para 5.h. Funding for POV is listed but POV statement needs to be authorized as advantageous to the government - even if only for trip to and from airport. The review team recognized this as an isolated incident and therefore no finding was recorded.

The "Advance" block is out of date in that ATM advances are not "signed" for on the TA. Therefore there is no finding regarding advances not being signed for on the TA.

3.3.2.3 REIMBURSABLE TRAVEL

One TA did not show a checkmark in the "Type of Travel" block. One voucher for reimbursable travel took 37 days to submit as opposed to the required 10 days.

3.3.2.4 INTERNATIONAL/REIMBURSABLE TRAVEL

Henry Longest's approval is not dated. Increased per diem rate is correctly amended and approved on the voucher. Per Diem expenses are properly converted from foreign currency to the US dollar as appropriate.

3.3.2.5 INTERNATIONAL TRAVEL

Henry Longest's signature is again not dated. The International Trip Report is not dated (there actually is no block for a date of preparation). The ITP is prepared in accordance with ORD Chapter 7, para 6.9.1.

3.3.3 RECOMMENDATIONS

Only a few minor suggestions are offered since APPCD is in compliance with regulations.

3.3.3(a) Copies of receipts would be helpful supporting documentation - either at the traveler or commitment clerk level. This is probably occurring at the traveler level - but the file review was at the commitment clerk level so invoice copies were not available.

3.3.3(b) Dates of signatures should be checked to assure proper tracking.

3.3.3(c) Per RMD 2550B Exhibit 3-3, and RMD Chapter 4, para 5.h) authorization of POV and rental car must be in the Remarks block of the TA - not just in the funding blocks.

DIVISION RESPONSE (a): AOS contacted the branch's support staff and determined that their files contained copies of receipts to support travel documents. It is not the responsibility of the FCO to keep receipts.

NO ACTION NECESSARY

DIVISION RESPONSE (b): The TA does not require dates of signatures but this is a requirement for vouchers.

ACTION TAKEN: AOS sent out a memo to recommending and approving officials to ensure signatures on TAs and vouchers are dated. (See Attachment 1)

DIVISION RESPONSE (c): To authorize use of POV as the primary mode of transportation does require a special justification that proves it is more advantageous to the government. However, there is an exception. According to Federal Travel Regulation 41 CFR Part 301-4.2, a special justification is not required for round-trip by POV in lieu of taxi between common carrier terminal and office or residence. Our local travel office and travel training we have received, support this position. We were instructed that the 'X' on the POV line in Block #11 is sufficient without providing a justification in the Remarks block. We verified this information with GSA.

NO ACTION NECESSARY

3.4 TIMEKEEPING

3.4.1 INTRODUCTION

The Division's timekeeping process was reviewed to determine if Agency procedures are being appropriately and effectively implemented. The review team met with the Division Director and Chief, AOS to get a general overview of APPCD's process.

Included in interviews by the Review Team were four Timekeepers, four Supervisors, and two Designated Agents. Time cards studied were Pay Periods 26/96 (9/15-28/96) and 02/97 (10/13-26/97).

3.4.2 REVIEW OBSERVATIONS AND FINDINGS

3.4.2.1 PROCESS

APPCD timekeepers have a listing of their employees' daily schedules as reference material. (Chapter 2, para 7a of the Timekeeping Manual requires timekeepers to verify the documentation on the Timecard.) Flex time is utilized by most of the staff.

Employees are trusted to show up on time and leave on time unless leave is documented. All timekeepers mentioned that their group was small and manageable enough that a formal system of "logging in or out" or "watching" was definitely not necessary. One timekeeper mentioned that her schedule of starting work at 6:30 am allows her the opportunity to periodically check on attendance for the morning hours.

Sick leave is usually requested as the need arises (AM phone call requesting sick leave from appropriate Division personnel) but *extended sick leave or annual leave* is requested using a Form SF-71. Family Leave is still fairly new to this Division but on occasion is used. Timekeepers were reminded that this type of leave needs special notation and supervisory approval just like comp time.

The supporting documents are kept by the timekeeper for use in the completion of the Timecard and are attached to the cards at the time of submittal to the supervisor for approval and signature. Time cards are completed in the appropriate time frame and submitted for approval to the supervisor, (which is required by Chapter 2, para. 7.b of the Timekeeping Manual) who reviews, signs, copies and seals in an envelope and hand carries to the Designated Agent.

3.4.2.2 RECORDKEEPING

Timekeepers interviewed kept copies of cards even longer than necessary (Chapter 2, para 7.a.5 requires cards be kept 90 days). Supporting documents are required to be kept for three years, (above reference in the manual states, "three years for records supporting entries on the Time cards.") since they are actually originals. APPCD timekeepers' are keeping them appropriately.

3.4.2.3 TRAINING

All timekeepers receive training when it is offered from their Finance Office. Most changes in policy are communicated by E-mail or memorandum. Timekeepers felt they had appropriate knowledge, reference materials, and training for this function. (EPA Assistant Administrator Memo regarding Time and Attendance Reporting, Dated May 4, 1992, requires that timekeepers attend the timekeeping training programs offered).

3.4.2.4 SUPERVISORY APPROVALS

The Supervisors interviewed indicate they receive Time cards and supporting leave and comp time documentation for their employees directly from the Timekeeper. Two Supervisors keep their own logs showing leave taken and changes in schedule, and use this log to check the accuracy of the timecards.

The Division Director scans the cards and the Time and Attendance Verification Report and if anything looks odd, requests more documentation. He does not make the copy of his signed cards. His secretary does and then seals and hand carries to the DA. One Supervisor indicated that he seldom approves comp time but in general, when comp time accumulates over 60 hours, the Division Director must approve.

After signing the cards, the Supervisor copies the cards (cc is for Timekeeper), seals them in an envelope and, hand carries to Designated Agent (Chapter 2, para 8 requires hand carrying of cards directly to the Designated Agent). After the pay period, the Time and Attendance Verification Report is reviewed, spot checked, and kept on file for two months. Any discrepancies are reported to the Payroll Section by the Timekeeper (per Chapter 2, para. 7c). Proper disposal of this report may occur anytime thereafter.

3.4.2.5 DESIGNATED AGENT (DA)

The Designated Agent receives the cards in sealed envelopes from the Supervisor per Chapter 2, para. 8.a of the Timekeeping Manual). She sorts and spot checks for totals, checks for signatures and submits them to Finance. Cards are submitted to the servicing finance office in a sealed envelope (batched by SSN) as per Chapter 2, par 8.a(1) through (2) of the Timekeeping Manual. She keeps copies of cards in a locked cabinet. The Alternate DA performed this duty three times last fiscal year and is using similar procedures. Timecards for the next pay period are distributed by the D.A. to the applicable Timekeepers per Chapter 2, para 2.d of the Timekeeping Manual.

3.4.3 RECOMMENDATIONS

3.4.3(a) Interviews left some doubt as to consistency in the copying of the completed, signed timecards. The Supervisor should make the copy and hand carry the original to Designated Agent. Some Supervisors chose to have a Secretary (SEE or Fed but not the timekeeper) make the copies and then the Secretary hand carried the cards to the DA. Chapter 2, para 8.a of the Manual states that Supervisors are required to seal the cards in an envelope and carry directly to the DA.

3.4.3(b) Interviewees were questioned as to any improvements they would like to suggest. Most indicated that electronic timekeeping would be better (although some reservations regarding security and approvals exist). One Timekeeper felt that the new "exception reporting" was "silly". If true streamlining is to be accomplished, putting in less numbers on the card was not very efficient. She felt it makes more sense to just put "80" in the total column and not worry about the codes.

3.4.3(c) Division Director indicated considerable confusion as to appropriate policy during "furlough". He indicated this type of confusion may be alleviated with computerized timekeeping.

DIVISION RESPONSE A: Timekeepers' copies of T&As do not include the supervisors' signature unless the supervisor makes a copy for the timekeeper before hand delivering to the DA.

ACTION TAKEN: The DA has offered to the supervisors to make copies of the signed timecards for the timekeepers if they request. (See Attachment 2)

B. NO RESPONSE OR ACTION NECESSARY.

C. NO RESPONSE OR ACTION NECESSARY.

3.5 BANKCARD

3.5.1 INTRODUCTION

Interviews were conducted with the Division Director and the Chief, AOS regarding general management and accountability issues related to the Bankcard Program. Questions were asked in reference to the Division's staff carrying out management responsibilities, including compliance with laws, regulations, policies and procedures.

Mini Total Quality Management (TQM) teams were formed to address bankcard issues relating to the Federal Managers Financial Integrity Act (FMFIA) (See attachment section in manual.) These teams met numerous times to address Description/Implementation of the System; Vulnerability/Concerns/Risks; Lack of Lab Policy and Procedures for Administering the Program; Audits; Restriction of the number of cardholders; Cardholder Training and Accountability and Written Bankcard Policy and Procedures. It is clear that Management is very involved and dedicated to procedures in the management integrity process.

In addition to the above interviews, the Review Team also met with four Approving Officials and four Bankcard Holders.

3.5.2. BANKCARD HOLDERS - REVIEW OBSERVATIONS & FINDINGS

3.5.2.1 FILE MAINTENANCE & DELEGATION OF AUTHORITY

Documentation Required by Paragraph G.5 of the EPA Guidelines For Use of U.S. Government Bankcards, dated March 1993. (Please Note: EPA Guidelines for Use of U.S. Government Bankcards, dated August 1996; was unavailable for the Team's reference during this management review. However, after review of the new guidelines, the observations and findings remain the same.)

APPCDs' Bankcard Holders reviewed had submitted the proper Delegation of Authority memorandum issued to them from Headquarters Procurement Operations Division. This authority clearly stated the name, single purchase limit, office limit and 30-day limit for the Bankcard Holder and their assigned Approving Official.

Further, the Bankcard Holders all maintained copies of their Bankcard Logs, Reconciled Statement of Accounts, and Purchase receipts for the monthly billing cycles for at least the last 12 months, and in some cases, records were retained for a longer period of time.

3.5.2.2 PROCUREMENT REQUEST

FINDING

Bankcard Holders *DID NOT* have approved Procurement Requests for Bankcard purchases other than ADP purchases. This is required in the EPA Guidelines For Use Of U.S. Government Bankcards, March 1993, (Pg. 28, G., 2, (b)).

RECOMMENDATION

3.5.2.2(a) Bankcard Holders are responsible for acquiring signature by the Approving Official for each individual item on log sheet or prepared procurement request prior to purchase.

DIVISION RESPONSE: Based on required training for bankcard holders and approving officials, it is not required to acquire signatures by the Approving Official for each individual item on the log sheet or on a Procurement Request (EPA 1900-8). Signature on the log sheet at the end of the cycle is sufficient. AOS confirmed this with Alan Ritter, the Bankcard Program Trainer. (See Attachment 3)

NO ACTION NECESSARY

3.5.2.3 RECONCILED STATEMENT OF ACCOUNT

Bankcard Logs and Statements of accounts were reviewed for the last completed 30 day cycle, August 18, 1996 through September 17, 1996 and the previous 6 month completed billing cycle. January 18, 1996 through September 17, 1996 for all 4 Bankcard Holders.

EPA Guidelines (Section G, par. 3.a.3, page 29) state, "sign and date each page"; of the Statement of Account. The Bankcard Holder and the Approving Official did not have copies of the front and back page of this statement. Therefore, the review team was unable to verify certification of items ordered, received, or that charges included on the statement were correct and approved for payment. This missing back page also made it impossible to verify submission of the Statement of Account to the Approving Official for review within the 5 working days of receipt from the Contracting Bank (EPA Guidelines, Section G, par. 3.a.5, page 29).

This also applied to the Approving Official's submission to the Cincinnati Financial Management Center within the required 5 working days of the receipt from the Bankcard Holder (EPA Guidelines, Section G, par. 3.b.3, page 30). *(Note: The FCO did produce a copy of these statements so we could verify signature. It is recommended that no finding be written for this error, only poor records management.)*

The Bankcard Holders did include a brief description for each Bankcard charge listed on the statement. **(Review Team Recommendation: Make these descriptions brief BUT complete.)** Bankcard Log cycles were also annotated on the statement (EPA Guidelines, Section G, par. 3.a, page 29-30).

Prohibited Items purchased on the Bankcard: Portable Electric Power Tools were listed on one Bankcard log sheet, the review team was unable to find an invoice, or order date received, etc. to verify "what this item was" and to see if it was on the prohibited list.

(Review Team again recommends that the descriptions on the log sheet be brief BUT complete.)

There was one Bankcard log sheet which showed furniture being purchased from a vendor other than the required "Unicor" from the Federal Prison Industries, Inc. If another vendor is used, a waiver must be submitted and kept with the file. *(Note: However, during the same billing*

cycle, this furniture was detected as being prohibited, and was promptly returned.) The UNICOR-QUICK SHIP (catalog only) is the vendor that Bankcard purchasers are authorized to use. Bankcard Holders are still required to obtain approval of the local property officer prior to making any purchase from Unicor with the Bankcard.

There were no disputed charges to verify.

DIVISION RESPONSE: Bankcard Holders or Approving Official did not have copies of the back page of the statement with the Approving Officials dated signature. The Team recommended that copies of this page be copied after signatures.

ACTION TO BE TAKEN: AOS will send out a memo recommending that the Approving Officials make a copy of the back page of the statement to be kept by the Bankcard Holder.

DIVISION RESPONSE: The Review Team recommends that the log sheets and statements include a COMPLETE but brief description of item(s).

ACTION TO BE TAKEN: AOS will send out a memo with the Review Team's recommendation.

DIVISION RESPONSE: The Review Team indicated that portable electric power tools are listed as prohibited items.

ACTION TAKEN: AOS contacted the Bankcard Program Coordinator and this item was removed from the restricted list in 1995. (See Attachment 3)

3.5.2.4 SUPPORTING RECEIPTS

Copies of customer receipts from Bankcard purchases were found in 3 out of 4 Bankcard Holders files. However, several receipts shows Sales Tax being charged, (EPA Guidelines, Section K, 5, page 35) "Bankcard purchases are TAX EXEMPT. It is IMPERATIVE that the Bankcard Holder remind the merchant before the purchase is made that the purchase is TAX EXEMPT". (The Review Team did not feel this warranted a Finding but strongly suggest this rule be followed more closely.)

All Bankcard Holders are in compliance with the EPA Guidelines, Section D, par. 10, "Bankcard Holders shall not split requirements in order to stay within their single purchase limits. It was noted that in the Items Purchased Column, the items are referred to as Laboratory or Office supplies, this would make it difficult to see a "split" if you can't determine exactly what it is that was purchased. (Again, the review team recommends that a brief, but more complete description be given.)

DIVISION RESPONSE: The Review Team suggests that the Bankcard Holders remind the merchant, before the purchase is made, that the purchase is TAX EXEMPT.

ACTION TO BE TAKEN: AOS will send out a memo reminding Bankcard Holders that all

purchases are tax exempt.

3.5.2.5 BANKCARD LOG

APPCD Bankcard Holders used the Bankcard log to record monthly Bankcard purchases. EPA Guidelines, Section G, par.2.a, page 28 required the "entire" log be completed. The reviewers found item 4, Date Ordered, and item 11, Date Received not always complete. The supplies and services to be purchased must be readily available in order to be received prior to the end of the billing cycle in which the order is placed, EPA Guidelines, Section D. Basic Features, 7, page 21. This could not be easily determined. Item 5, Items Purchased, this description was too vague, which made it hard for the reviewers to reconcile the log sheet with the statement of account.

All Bankcard Holders had the proper signatures required on the Bankcard Log Sheet. (EPA Guidelines, Section G, par. 2.c, page 27). The Funds Certifying Officers records were accurate with the appropriate accounting information.. All logsheets were certified by the FCO and sent to the Cincinnati Financial Management Office in the required time frame. (EPA Guidelines, Section G., par 2.c, page 28).

The Document Control Numbers and their corresponding commitment amounts matched the FCO's Document Control Register. (NOTE: One bankcard holder kept a DCR for their Branches expenditures (bankcard as well as PR's)). The document control register (FCO) was quite long, due to the fact that each line item on the Log Sheet has its own document control number. The review team discussed this procedure with the FCO and Chief, AOS. Cincinnati's procedures may prove to be more efficient. APPCD will pursue.

DIVISION RESPONSE: The Review Team noted that the "Date Ordered" and "Date Received" blocks on the bankcard log sheets were not always complete.

ACTION TO BE TAKEN: AOS will send out a memo reminding Bankcard Holders to submit a complete log sheet including the date ordered block and date received block, if item(s) have been received prior to the end of the billing period.

3.5.2.6 SUGGESTIONS FOR IMPROVEMENT BY THE BANKCARD HOLDER

Vendor codes need to be re-examined.

Would like to have a central person for Bankcard. Too time consuming for current staff.
Reduce regulations.

Less approvals for smaller items.

Reduce prior approval for smaller items.

Allow Bankcard Holders to carry their visa's with them.

3.5.3 SUMMARY /RECOMMENDATIONS

The purpose of interviewing and conducting a file review on the Bankcard Holders was to gain a knowledge of the Bankcard Holders understanding of their responsibilities in the application of policies and procedures of the Bankcard Program and how it relates to their organization.

It was obvious during the interviews that APPCDs' Bankcard Holders clearly understood their single purchase limits, 30-day spending limits, who is authorized to use their cards, storage of Bankcards when not being use, and the Appropriation Restructuring Implementation Guidebook Release #94-02. File Maintenance was an area in which most Bankcard Holders had questions. They were aware of and did have a copy of the Delegation of Procurement Authority retained in their permanent file.

Purchase Requisitions were not obtained for purchases other than ADP. EPA Guidelines Section G, 2.(a) states, "Prior to using the Bankcard, it is the responsibility of the Bankcard Holder to ensure that sufficient funds are available to cover any purchases in order to prevent an unauthorized procurement". Without this advance PR, it was impossible to determine that funds were allocated or that funds were authorized.

Copies of the Bankcard Logs were maintained by the Bankcard Holder however, copies of authorized signatures by the approving officials or the FCO were not maintained. Copies of these were found with the Funds Certifying Official.

Copies of Bankcard Purchase receipts were not always kept with copies of the Monthly Bankcard Statements. It was difficult to determine how the bankcard logsheets and the monthly statements were reconciled. Most interviewed Bankcard Holders were unaware that they must maintain copies of the completed Statements of Accounts with ALL documentation for at least one full year. Most Bankcard Holders kept documentation from day one. Bankcard Holders were excellent when adhering to the required timeframes for submission of Bankcard Logsheets to their Approving Officials. With limited documentation, the review team was unable to determine as to when the FCO signed and forwarded the Bankcard Logsheets to the Cincinnati Financial Management Center (CFMC).

The Statement of Accounts (each charge) were annotated with descriptive information as well as to which Logsheets they referred to, however; again, the review team recommend that it would be most helpful if the descriptions could be more detailed, i.e.....office supplies, laboratory supplies.

Statement of Accounts were copied but, only the front page. Each Bankcard Holder must certify on their individual Statement of Account that the item(s) ordered have been received; and the charges are correct for payment. This signature is located on the back side of the statement. The team was unable to ascertain when the Statement of Account is forwarded to the Approving Official for review. EPA Guidelines, Section g, 3(5), page 29, states it must be forwarded to

Approving Official within 5 working days after receipt.

3.5.3.(a) *It is recommended this statement be copied front and back by both the Bankcard Holder and the Approving Official. A Time/Stamp machine may be useful for logging in the Statements.*

DIVISION RESPONSE: The Review Team was unable to obtain copies of authorized signatures by the approving officials or the FCO on the Bankcard Logs.

ACTION TAKEN: The FCO sends the Bankcard Holder a copy of his/her log sheet with signatures and accounting data.

DIVISION RESPONSE: Bankcard Holders were not aware that ALL documentation must be kept for at least one full year.

ACTION TO BE TAKEN: AOS will send out a reminder regarding the length of bankcard documentation retention.

DIVISION RESPONSE: The Review Team could not determine whether the statement was submitted to the Cincinnati FMC within the 5 day period and suggested that the statement be date stamped when received by the Bankcard Holder. This is not a requirement.

ACTION TO BE TAKEN: AOS will send out a memo with this suggestion.

3.5.4 REVIEW OBSERVATIONS AND FINDINGS -APPROVING OFFICIALS

3.5.4.1 - DESIGNATION OF APPROVING OFFICIAL

APPCDs' Approving Officials had the proper Designation of Approving Official memorandum issued to them from Headquarters Procurement Operations Division. This authority clearly states the Approving Official Account Number, the 30-day Approving Official office limit and the names and spending limits for the Bankcard Holders assigned to them.

3.5.4.2 TRAINING OF BANKCARD HOLDERS

All Approving Officials stated their Bankcard Holders have received the required training by attending the "Bankcard and Call Ordering Officers Course". Follow-up refresher courses are also taken on as given basis. (RTP had a refresher course during the time of Management Review)

3.5.4.3 PURCHASE REQUESTS, AUTHORIZATION, RECORDING

The policies and procedures in place for the use and control of bankcards are varied. Most prior approvals are obtained "verbally". Only 1 out of the 4 approving officials required their Bankcard Holders to fill out a purchase requisition prior to making the purchase. There is an exception, ALL ADP procurement were made with a prior purchase requisitions by ALL Approving Officials.. Usually the Approving Official signed the Bankcard Logsheet AFTER the

billing cycle. Again, one Approving Official kept his own "internal tracking system" to verify purchases made on the logsheet. It wasn't clear as to how the remaining three Approving Officials verified that the purchases were valid. See Review Record of Finding and Recommendations (FAR) under BANKCARD HOLDERS, PROCUREMENT REQUEST. (EPA Guidelines, G.2,(b) Page 28.

3.5.4.4 RECONCILIATION OF BANKCARD STATEMENT

One approving official actually verified the statement with his own copies of prior signed purchase requisitions. It was found that only one approving official kept copies of the signed statement of account. Most records were kept with the Bankcard Holder. After reviewing the Bankcard Holders files, it was noted that the Bankcard Holder only copied the front page of the statement. It was difficult to determine if the correct signatures or dates were made within the EPA Guidelines Section G. Par.3.a.3 page 29. See BANKCARD HOLDERS, RECONCILED STATEMENT OF ACCOUNTS

3.5.4.5 PERFORMANCE STANDARDS

All Approving Officials have performance standards for the Bankcards Holders as well as standards for themselves.

3.5.5 SUGGESTIONS FOR IMPROVEMENTS BY APPROVING OFFICIALS

1. E-Mail from Headquarters (Stacey Brown and Karen Lee) is not always received by the Bankcard Holders and Approving Officials. This needs to be improved.
2. EMS should have warrant over \$2,500.
3. Bankcard Holders need to have more authorization authority. Technicians need some way of blanket authority to order widgets.
4. Approving Official would like a central point for Bankcard purchases. Ideally, 1 person full-time.
5. Raise the limit on single purchases, ADP, Lab supplies.

3.5.5 RECOMMENDATIONS

The purpose of interviewing the Approving official was to gain a knowledge of how the Bankcard purchase systems works within his/her Branch. Approving Officials relied heavily upon the Bankcards Holders to do the bookkeeping.

Areas needing improvement were the signature sign-offs on each and every purchase request (not just ADP). The Approving Official must approve all individual purchases and must indicate the approval on a PR or on the Bankcard Log. Three Approving Officials logsheets were

not reviewed with any PR or other form of spreadsheet tracking system prior to signature sign-off. The Approving official must review the Log at the end of the Bankcard 30-day billing cycle and after approval, sign, date and immediately forward the log to the Funds Certifying Official (FCO). (EPA Guideline G.2, page 28-29)

The Statements of Accounts were not kept by the Approving Officials. The copies were kept with the Bankcard Holders (one Approving Official did have), therefore, the signatures were not a matter of record in their files. By not having these copies (front and back) it was difficult to see if the Approving Official approved purchases on this statement, and if the approvals were done in the time frame outlined in (EPA Guidelines, Section G, 3.3, page 30) The Approving Official must review, approve and ensure that the original Statement of Account is properly annotated, signed and forwarded to the Cincinnati Financial Management Center within 5 working days of the receipt of the Statement of Account from the Bankcard Holder. The reviewers found signatures other than the approving official, it was documented that this person was serving in an acting capacity (memo on file). Proper signature was obtained.

CHAPTER 4 - EXTRAMURAL MANAGEMENT

4.1 EXTRAMURAL MANAGEMENT GENERAL

The Team Leader of the review team assigned responsibility for reviewing extramural vehicles and participated in the entrance conference while the remainder of the team initiated the file review process. During the entrance conference, extramural management was discussed with the Division Director and appropriate staff, including the Extramural Management Specialist (EMS), using the ORD Management Review Program interview guides.

Prior to the start of the review, a stratified sample of representative extramural vehicles was selected by the Team Leader for the extramural review team from the list generated from the ORD Management Information System (OMIS) on 09/23/96. Vehicles that had expired by the time of the review or that were due to expire during the first quarter of FY 97 were not included in the review. In addition, those selected had been in effect for at least one year so as to provide sufficient opportunity for the review team to evaluate post-award activities under the vehicles. While purchase orders were listed in OMIS, they were not considered part of the pool of contracts.

The review team conducted reviews of seventeen of the forty-five active cooperative agreements (CAs), nine of the twenty-nine active interagency agreements (IAGs), and seven of the twenty-one active contracts. In addition, three Work Assignment Manager's (WAM) files associated with Contract 68-D4-0005 were reviewed as was the Delivery Order Project Officer's (DOPO) file under the FAIR (ADP support) contract. The review team also interviewed seven CA Project Officers (POs), six IAG POs, five contract POs, and three WAMs. The specific files reviewed and personnel interviewed are identified later.

The review team found the majority of the Division's staff involved in the award and management of extramural agreements to be knowledgeable of their roles and responsibilities. All personnel within the Division were cooperative.

The review team found that the Division staff rely on the EMS for support and advice. POs acknowledged the EMS as a resource, noting that he provides base level training on a regular basis and is always available for specific questions and concerns. They indicated he often acts as an intermediary with the Grants Administration Division (GAD) or Contracts Management Division (CMD) to provide a translation between the needs of the scientists and the limitations of law and regulation. They were confident that he would notify them of any major changes in policies and procedures and that he would maintain an up-to-date library of acquisition and assistance policies and procedures for their use. The review team also found that Division managers rely upon the EMS to provide expert advice and analysis relative to extramural management issues.

At the exit conference attended by the Division Director, Branch Chiefs, the EMS, and other appropriate staff, each member of the review team presented preliminary findings related to issues, both positive and negative, which are further developed in the following sections of this

report. The Extramural Team Leader stressed that the primary client was the Division's management with the goal of providing the Division Director with an independent and expert analysis of the strengths and weaknesses of the extramural management program.

4.2 CROSS-CUTTING ISSUES

INTRODUCTION. The review team identified a number of cross-cutting issues that related to more than one type of extramural instrument, discussed as follows:

1. Files Do Not Consistently Reflect Appropriate Review and Approvals.

Findings

The review team identified a variety of instances in which the files do not clearly indicate that appropriate approvals were requested, or that they were received, if requested. In some instances, it is likely that the approvals were in fact requested and given, but the file simply lacks the documentation. In other cases it appears that in fact the approvals were overlooked. Note that the review team is not including here the problem of the absence of signed copies of approvals from personnel outside the Division. It is common in many labs that the PO has a file copy of a request as it was sent to higher authority for approvals, but not a copy of the actual approval. This is because the file was sent from the approval official directly to GAD or the Office of Acquisition Management (OAM), not back to the PO. The review team does not consider this to be a significant weakness. If the file contains evidence both of submission of the request and of action by GAD or OAM, the review team assumed that the intervening officials approved. It should be noted that several of the files reviewed contained all required documentation and that the documentation was appropriately approved. Subsequent to the review, many missing documents were located by the APPCD EMS, and this report has been revised accordingly. While that helped to relieve concern about whether the Division actually complied with the rules, the review team notes that the poor files caused a great deal of time to be wasted.

A. Examples in the "undocumented" area include:

- o IAG DW80936395 with NASA was written by the Office of Air Quality Planning and Standards (OAQPS) and transferred to NRMRL a year later. OAQPS did not provide the award file, so there is no record of any of the pre-award approvals. Because this was written by an organization outside ORD, the file will not, and need not, contain any ORD specific approvals; however the review team believes the project should have been reviewed for QA and potential environmental impact, and in any event the file should include evidence of what reviews and approvals were obtained by OAQPS or at least show ORD efforts to obtain the documentation. ORD is responsible for the overall acceptability of any agreement it manages, and the file should demonstrate an effort to determine the acceptability of the agreement as of the time it was transferred to ORD.

- o IAG DW96936393 with the Corps of Engineers (COE) contains inadequate evidence

of APPCD having obtained required Senior Resource Official (SRO) approval of the initial award. Subsequent to the review, the EMS provided the review team with a copy of an unsigned, undated decision memorandum that was routed from the Division Director to the SRO. Later amendments do reflect proper review, so the team feels this is a file documentation issue, not a substantive failure.

- o CAs CR822871 and CR822870, both with RTI, contain evidence of coordination with the SRO or AA during the presolicitation phase, but do not indicate that the actual award packages were approved appropriately by ORD. These findings were included in the undocumented category because the review team expects that the documented involvement at the planning phase indicates it is likely that the final packages were properly reviewed; but again, this cannot be determined from the file.

- o During the on-site review the review team noted most of the POs' files lacked documentation relative to the review of Quality Assurance Plans by the APPCD Quality Assurance Officer (QAO). As a result, the review team initially concluded the QA reviews had not been conducted. Subsequently the APPCD EMS secured documentation from the QAO which documents the reviews that were conducted or which explained why a QA review was not conducted. Some examples of the latter include:

- CA CR823020 with Georgia Tech did not include any environmental measurements during the first two years of the agreement. A QA Plan is now due in March, 1997.

- The APPCD QA Officer delegated the QA review under IAG DW 80936395 to NASA since the majority of the work was performed and managed by NASA's contractor.

The review team believes that the POs' files should include documentation indicating QA reviews that were conducted or waived, as the case may be. Accordingly this finding is included in the "undocumented" area even though the QAO did retain documentation of reviews she conducted. Note that currently APPCD requires written approval of QA Project Plans for Categories I, II and III type projects by both the QAO and the PO. For Category IV, the PO alone approves the plan and forwards it to the QAO. Files need to be documented relative to these required reviews.

One of the main contributing factors to these cases is that the affected files generally were very poorly organized. It appears that the POs involved did not assemble a complete file and organize it in a manner that would effectively demonstrate the management of the process. The files generally were older, and the POs may not have had a good understanding of their responsibility for award requirements and of filing needs. Well organized files do not necessarily assure proper award and management of extramural agreements, but poor files often contribute to real or apparent errors or omissions.

B. Examples in the "overlooked" area include:

- o Three examples in the "overlooked" area are found in the duct cleaning work

assignment under Contract 68-D4-0005 with Acurex.

1. There was no evidence that the requirement for OMB approval of the administration of the questionnaire was obtained or recognized. It appears from the interviews that the researchers thought the OMB clearance would not be needed if the ultimate study involved 9 or fewer homes.

2. The data collected appears to constitute a "system of records", subject to the Privacy Act. Steps were taken to protect the data, but the various publication requirements of the Act do not appear to have been recognized or complied with.

3. Finally, as to that work assignment, the review team believes that the study should have been reviewed and approved in accordance with the EPA Order on Human Subjects (1000.17A), or 40 CFR Part 26. The research protocol called for cleaning the HVAC ducts in the homes of the subjects and testing the air in the homes before and after cleaning to identify and measure the levels of dust and biological contaminants. It was recognized that there would be some elevation in contaminants, and there should at least have been a documented decision of whether this constituted manipulation of the subject's environment. It is not clear whether any "private information" was collected that would have been subject to the regulation or Order.

- o A work plan submitted under CA CR823052 with RTI indicated the intent to seek survey information from a large number of sources, but there was no indication OMB clearance was sought or obtained.

- o IAG RW89936334 with DOE was sent directly from NRMRL to GAD without indication of approval or routing through the SRO/AA which was, at the time of processing, required for all funds-in IAGs. Similarly, CA CR823052 with RTI should have had SRO review, but the file indicates direct transmittal from APPCD to GAD.

The lack of documentation relative to reviews and approvals as stipulated in the Agency's and/or ORD's policies and procedures, if nothing else, calls into question whether the Division did obtain the required approvals. If indeed the approvals were not obtained, then the Division can be cited for a lack of sound management controls. By failing to obtain approvals, the Division prevents the affected managers, including the SRO and AA, from performing their assigned responsibilities. Other consequences could evolve; e.g., the Agency's failure to obtain OMB clearance of Agency sponsored surveys violates the Paperwork Reduction Act and could weaken OMB support for the Agency's mission and budget.

2. Decision Memos Lack Key Elements

Findings

The review team found that in many cases the decision memoranda for CAs and IAGs

were lacking detail to fully support all aspects of the decision process. GAD requires a decision memorandum to document the decision to award a CA or an IAG. The key elements of such decision memoranda are prescribed by GAD and augmented in Chapter 4 of the ORD Policies and Procedures manual. It should be noted that some of findings in this section of the report relate to issues discussed in later sections where more detail is provided.

A. Discussion of Principal Purpose for Cooperative Agreements

- o The discussion of principal purpose in the decision memorandum for CA CR 824308 with the University of California was weak. The review team found this to be especially problematic in that 1) there was only one respondent to this competitive RFA and 2) Acurex was proposed as a major subcontractor on the initial proposal, when in fact Acurex had already advanced the design of the Hynol plant under a previous contract with APPCD. Given Acurex's prior involvement on the project as a contractor, the review team felt it was imperative that the decision memorandum fully support the decision for funding the project as assistance vs. acquisition.

- o The decision memoranda for CAs CR824152, CR822870 and CR822871 (all with RTI) contain boiler-plate language to support the decision to fund assistance with the language certifying assistance is appropriate without explaining why. The ORD Policies and Procedures manual at 4.4-11 calls for the decision memorandum to include an explanation of why the principal purpose is public support or stimulation. To meet that criterion the documentation of the decision should provide details supporting the decision rather than simply certifying the decision is appropriate.

- o The decision memorandum for CA CR822641 with Harvard University did not provide sufficient documentation to support the use of a cooperative agreement as the appropriate vehicle. Overall, there are statements in the decision memorandum which would cause alarm currently. For example, on page 2 it states "This research will contribute to the development of the greatly needed methods and guidelines..." and on page 8 it reads "...provide EPA with a consistent method for establishing such guidelines". The review team believes the correct vehicle was selected but the wording in the initial decision memorandum could lead to another conclusion. A later decision memorandum supporting an extension to the period of performance was worded more appropriately indicating that APPCD is more cognizant of the rules for differentiating between assistance and acquisition, and the need to clearly document the resulting decision.

B. Discussion of Substantial Involvement for Cooperative Agreements

- o There was no explanation of how the Government contemplated substantial Federal involvement to justify the use of a cooperative agreement vs. a grant in the decision memoranda for CAs CR822871, CR823052, and CR824152 (all with RTI), CR819641 with Aarhus University, CR824308 with the University of California, or CR822780 with Southern Research Institute.

- o CA CR822870 with RTI states there will be close cooperation, but provides no detail on the extent and nature of such cooperation.

- o The review team found during the interview process that certain POs did not demonstrate a clear understanding of the principles of selection of instrument. For example, one PO noted that the assistance agreement had to be a CA since the laboratory did not award grants and another PO noted that the assistance agreement had to be a CA because EPA "didn't know what we wanted".

C. Discussion of Peer Reviews and Reconciliation of Contrary Reviews

- o CA CR823052 with RTI included a summary section on peer review which identified the members of the peer review panel and their backgrounds while noting that there were "no overwhelming contrary reviews". The actual peer review documentation did have negative comments.

- o The peer reviews leading to the award of CA CR819641 with Aarhus University noted that while there was insufficient data to evaluate the technical merit of the proposal, the peer reviewers based their support of the award on the reputation and publication history of the Principle Investigator. The decision memorandum noted the lack of negative notes, but there was no documentation of positive support explaining why the award should be made.

- o The section on peer review for CA CR822870 with RTI simply stated that the external and internal peer reviews were favorable and recommended funding. There was no discussion of contrary reviews. (Note: Only one of the 3 peer reviewers had any substantive comments. During the interview the PO said these comments were relayed to the cooperator after award for consideration. There is no file documentation on this.)

D. Discussion of Apparent or Duplicative Effort

- o The section of the decision memorandum titled *Explanation of any Apparent Duplicative or Excessive Effort* gives the PO the opportunity to acknowledge like topics or parallel participation. For example, CA CR823052 with RTI was for "Life Cycle Assessment to Compare Municipal Solid Waste Management Options". That same language was used in the statement of work for IAGs RW89936334 with DOE and RW64937353 with the Tennessee Valley Authority (TVA), but none of the decision memoranda acknowledged or described the relationships. While there was a significant amount of file documentation to explain the relationship, it would have been helpful to clarify the relationships through some discussion in the decision memorandum.

E. Identification of Statutory Authority and ORD Issue

- o The decision memoranda for CAs CR822870 and CR824152, both with RTI, and CR824308 with the University of California did not identify the statutory authority or the ORD issue.

- o IAG DW96936393 with COE includes a decision memorandum that cites both the Economy Act and CERCLA. The authority to enter into an IAG should be either the Economy Act or a cooperating authority, not both.

- o There is a CA with the Georgia Tech Research Institute under IAG RW69937476 with the U.S. Department of Transportation/Federal Highway Administration; however, the decision memorandum is silent on the statutory authorities of both parties for awarding assistance. It also fails to include the required statement that any funds used on the CA would not be used for the direct benefit or use of the Federal Government.

- o The decision memorandum for IAG DW89937403 with DOE/Sandia fails to cite the cooperation authority, nor does it identify Sandia as a contractor. During the interview the PO stated he was not familiar with the various cooperative authorities related to IAGs. At the time of the interview, the PO had not yet taken the ORD training for assistance and IAGs, though he indicated he had received training from GAD.

F. Discussion of Quality Assurance Requirements

- o In the discussion of QA for IAG DW96936393 with COE the decision memorandum notes QA is addressed in the proposal and that QA plans will be developed for specific tasks. It also states the QA section was reviewed and found satisfactory, but it does not say by whom. The review team could find no evidence of QAO review of the award in the PO's file, but documentation demonstrating the QAO's review was provided to the review team at a later date.

G. Discussion of Competition

- o The review team noted the file for CA CR824152 with RTI contained no evidence that the RFA was ever published in the CBD or Federal Register. Subsequently the APPCD EMS provided the review team with copies of request letters from two different sources which indicate the RFA was publicized in the CBD. However, the decision memorandum does not provide any discussion of the CBD publication which would have established the full extent of competition.

H. Discussion of Travel

- o The file for IAG DW9693693 with COE included no discussion of travel though \$50K is proposed for travel.

A fully developed decision memorandum ensures the Decision Official is aware of all the key aspects of the proposed award. It also serves to document the Agency's decision-making process for those who may question the decision after it is rendered. The review team understands that many of the decision memoranda that were reviewed were written prior to training and/or development of guidance on the preparation of such memoranda. Accordingly the shortcomings noted here are intended to help the division improve future decision memoranda.

3. Records Management

Findings:

The review team found that some of the files associated with extramural agreements were comprehensive and well organized while others were not. The files of POs and WAMs constitute official Agency records and as such should be maintained in an orderly fashion with full documentation of activities both prior to and after award. The *ORD Work Assignment Manager Course For Contract Management* and the *ORD Project Officers Course for Assistance Management (Grants and Cooperative Agreements)* each include a separate chapter defining the POs' and WAMs' responsibilities for records management. Guidance is also provided relative to the documentation of monitoring activities which include annotated progress reports, site visit reports, minutes of meetings, summary of phone calls, etc. Some examples of the review team's findings relative to records management within APPCD follow:

A. Examples of Good Records Management Practices

- o The PO's files for IAGs DW49936487 and DW96936393 were well ordered. The latter was noteworthy for the inclusion of documented reviews of draft documents.

- o The PO's file for CA CR822871 with RTI was exemplary from the standpoint of comprehensiveness and orderliness. Clear evidence of PO monitoring and collaboration was included in the file, along with an abundance of correspondence addressing issues that arose and were addressed.

- o The PO's file for CA CR822025 with RTI fully documented the high level of monitoring provided by the PO, including annotated progress reports, site visit reports, summary of meetings at the laboratory, etc.

- o CA CR822007 with Georgia Tech Research Corporation provided an example of complete pre-award file documentation, including a copy of the synopsis, bidder's mailing list, and list of those requesting the package. Monitoring was well documented in a separate notebook, including copies of emails, marginal notes in progress reports, documentation of technical direction, etc.

- o The PO's file for IAG DW 57937570 with US Air Force (USAF) included documentation of monitoring in the form of marginal notes on progress reports, memoranda for the record on conference calls, and copies of faxes.

- o The PO's file for Contract 68-D4-0100 fully documented the use of email communication with hard copies. Marginal notes were included on the contractual document, work plan and progress reports.

B. Examples of Records Management Practices that Could Be Improved

o The file for CA CR822780 with Southern Research Institute did not include any monitoring documentation. There were multiple copies of the two annual reports but there was no documentation of review by the PO. During the interview the PO indicated that he received and marked up draft copies of the annual report, but that was not evident during the file review. There were no copies of reports recording financial progress. The terms and conditions for the agreement require PO participation in planning the field tests, selecting the test conditions, and participating in visits by the grantee to sites at which experimental programs are in progress. There were no records of such actions. The PO indicated that sufficient funds for such travel have not been available for the past three years. There is also a term and condition that the EPA PO will assist in the overall operation, provide review comments, monitor the project for timeliness, and budget. The only monitoring notes found were on the PO's desk calendar. Such notes should be transcribed into the official CA file.

o The file for Contract 68-D1-0008 with International Fuel Cells was disorganized and could have benefitted from a file content checklist. Some key documentation that was missing includes:

- Evidence of competition.
- Support for the extension of the contract for 2 years resulting in a seven year period of performance.
- No independent government cost estimate developed prior to the solicitation.
- Though the PO indicated during the interview that he holds infrequent telephone meetings with the contractor and reviews reports, there was no file documentation to confirm.

o The file for CA CR822641 with Harvard University contained two faxed copies of progress reports, but no other evidence of PO monitoring. During the interview, the PO indicated he has had trouble obtaining progress reports due to a low funding level and accomplishes monitoring of the agreement through phone calls and infrequent travel; however there is no evidence of this in the file.

o During the interview the PO for IAG DW89937403 with DOE/Sandia indicated progress is monitored through conference calls and review of invoices, though documentation of those activities is lacking in the file. The PO stated the two agencies jointly review and evaluate data, but there is nothing in the file to support that statement. Progress cannot be monitored through the review of progress reports since the agreement did not call for them.

o The PO's files on CA CR822870 with RTI lack evidence of monitoring by the PO. The CA calls for work plans to be submitted after award for specific tasks, but none were available in the file. The agreement does not call for submission of progress reports.

Poorly organized and/or incomplete files demonstrate a lack of compliance on the part of APPCD with records management responsibilities and can inhibit the effective management of the Division's extramural agreements. This is especially critical when personnel responsible for managing agreements are replaced or when the files are reviewed by outside personnel such as auditors. Clearly some of the Divisional personnel are aware of their records management responsibilities and take them seriously.

4. Divisional Personnel Demonstrate Effective Monitoring/Addressing Problems

The review team identified several instances of a high level of monitoring activity that enabled the Division to address problems early on. Effective monitoring of extramural agreements is stressed as a key responsibility in both the *ORD Work Assignment Manager Course for Contract Management* and in the *ORD Project Officers Course for Assistance Management (Grants and Cooperative Agreements)*. Examples include:

- o Contract 68-D4-0005 with Acurex has a number of indicators of excellent contract management practices.

- During the interview the PO indicated she reviews the contract practically every day, and relies heavily upon experience when reviewing contract and work assignment issues.

- The file documented the resolution of an instance of improper data manipulation by an Acurex employee. While it was Acurex that officially identified the problem, in fact NRMRL QA reviewers identified the existence of a data problem months earlier. The files show prompt action by both parties, NRMRL and Acurex, to bring the problem to light and to deal with it promptly and effectively.

- The PO and WAM files show careful attention to requiring, reviewing and approving Work/QA plans as an integral part of startup of the assignments. There was evidence of substantive review and in some cases of negotiation and revision when appropriate.

- The work assignment on continuous emission monitoring (2-52) showed WAM awareness of the need for good documentation and approval of guest workers. The WAM was careful to secure appropriate clearances and involved the Human Resources Division appropriately.

- The files indicate consistent use of independent government cost estimates. During the interview she indicated her intent to put together a spreadsheet in the near future. (The review team noted that the PO recommends use of a single overall loaded labor rate. In reviewing the PO files, we found that there is a very large range of actual incurred cost per hour on the various work assignments, based in part on a variety of labor mixes and ODC. The range is from \$30/hour to over \$100/hour. The use of a single loaded labor rate makes it difficult to accommodate such wide variances which results in significant differences between the Government's and the contractor's estimates for individual work assignments. While the PO's IGCE format does allow for special variations, it would be worthwhile to evaluate future use of a more detailed estimating process.)

- The PO and WAM files that were reviewed were very well organized and demonstrated active management and receipt of required outputs. The files for WA 1-42 and 2-30 were particularly well organized and easy to review. The PO documents the review of deliverables with memoranda to the contractor (cc: CO) and marginal notes on progress reports.

-- The files clearly demonstrate careful administrative review of invoices by the PO, and investigation or suspension when appropriate. Understandably, during the furloughs of the past year, there were a few occasions when invoices were not reviewed and acted upon within the time allotted by Financial Management Division. However timing was good once the furloughs ended and, as noted above, the reviews were meticulous. Since the timing of such reviews is an SRO performance standard, the speed and quality of the PO's review deserves notice.

-- The files showed the PO works extensively with the EMS and the CO to deal with contract problems. There was good cooperation in such matters as issuance of Work Assignments and administrative contract amendments, and in resolution of problems such as the data manipulation matter described above. The PO also meets with the contractor every two weeks to address contract issues. The PO was careful to request the formal appointment of an alternate PO during her absence on sick leave.

o The PO for CA CR822871 with RTI was able to demonstrate through the file review and interview that she has been and continues to be on top of the issues related to her CA. One example is a problem that arose relative to the availability of SERDP funds that were already obligated to the agreement. The provider of the funds threatened to pull them back if not spent in a particular time period, but the PO researched the issue and convinced them it was not required nor in anyone's interest to do so. She also has had to deal with numerous issues associated with clearance procedures to conduct a site demonstration project on a military base. Her prompt attention to these requirements has significantly reduced the potential for delay in completing the research project.

o The review team found the management of the Delivery Order under the FAIR contract (68-W5-0065) to be exemplary. The DOPO was clearly concerned with the appearance as well as any actual violations of regulation, and she has instituted procedures to provide arms-length dealings between Government and contractor employees. She displays a strong working knowledge of contract rules and regulations tempered by a concern that there may be more information that would allow her to do her job better. She utilizes computer resources to the maximum extent for day-to-day operations such as tracking the issuance, status and completion of work orders. This system is set up on the local area network with access by the contractor to indicate when jobs are completed. Thus contract management data is available in computer format which reduces unnecessary paper or time-consuming human interaction. She appears to seek a balance between protecting the Government's interest through monitoring and allowing the contractor to perform as provided under the contract.

5. Lack of Financial Detail Inhibits Financial Monitoring of CAs and IAGs

Findings:

The review team noted that for the majority of CAs and IAGs reviewed, the level of financial detail provided by the recipient (under CAs) or other Agency (under IAGs) was insufficient to enable the PO to fulfill his/her responsibilities relative to monitoring the financial aspects of the agreements. In many cases the PO is apprised only of the amount of funding that

was spent and what remains unspent. Likewise there was little documentation in the file to demonstrate that APPCD provides other agencies with sufficient spending information on funds-in IAGs.

The Office of Inspector General in its Audit Report No. E1FMG4-13-0061-5400051 dated March 31, 1995 found that POs were not obtaining detailed cost information under funds-out IAGs even though a detailed breakdown of the incurred costs is required when other Agencies request payment. The PO's responsibilities relative to financial management are set forth on page 4.v-11 of the IAG Compendium and include both assuring the receipt of the other Agency's detailed cost information and reviewing that cost information to ensure that project costs, as listed within the budget category and limits specified in the IAG, are acceptable. Under IAGs, the PO is required to approve payments to the other Agency. In its report the OIG noted that if such detailed information is not provided, POs are required to notify the Cincinnati Financial Management Center (CFMC) to suspend payment. As noted, the review team found numerous instances where detailed cost information was not provided by the other Agency; but there was no evidence that the PO requested CFMC to suspend payment. The OIG report concludes: "Without detailed invoices, project officers will be unable to comply with the FAR prohibition against paying fees in excess of costs."

Unlike IAGs, POs under assistance agreements are generally not called upon to approve the payment requests from the recipients. Furthermore the amount of information required to support amounts claimed on recipient payment requests is limited by OMB Circulars A-102 and A-110. However, POs are required to review Financial Status Reports if required by the agreement to assess the progress against the expenditure of funds. Furthermore it is currently recommended within ORD (through the assistance training course) that the terms and conditions included in assistance agreements clearly call for detailed cost information in the periodic progress reports. Such information would provide the PO with the opportunity to monitor for improper costs being claimed; e.g., costs claimed for the acquisition of equipment that had not been authorized. It also provides the PO with the means to measure technical progress more effectively by understanding not just how much was spent, but for what purposes.

The review team recognizes that the Agency needs to improve its financial monitoring under assistance and interagency agreements. The review team also recognizes that the agreements reviewed were awarded prior to the promulgation of new policy within both the Agency and ORD resulting from criticism rendered in recent OIG audit reports, and that training on financial monitoring was lacking until FY96. However, we concur that financial monitoring is a key responsibility for POs under both assistance and interagency agreements.

Recommendations:

The review team makes the following recommendations:

4.2.1 The Director, APPCD should take action to ensure all of the Division's open extramural award and management files reflect all required approvals. Where evidence of approval is missing, we recommend that the Director determine whether the approvals were obtained, and

obtain documentation if possible. If there are instances where required approvals were not obtained, appropriate action needs to be determined on a case-by-case basis with input from the EMS.

4.2.2 The Director, APPCD should take appropriate action to ensure that all approvals on future actions are obtained, that the necessary documentation is retained, that files are well organized, and that all files include the required and expected evidence of monitoring; i.e., records of phone calls, letters, and reports with documentation to show review by the PO. File plans and/or checklists could be one approach to use. For example, handouts 5-8 and 11-3 of the *ORD Project Officers Course for Assistance Agreements* provide examples of checklists which have been used successfully by other organizational units in ORD.

4.2.3 The Director, APPCD should take appropriate measures to strengthen the Division's decision memoranda for both CAs and IAGs. Other organizational units in ORD have experienced success by providing access to a template decision memorandum maintained by the EMS on a shared drive. However the review team cautions against being overly reliant on the boilerplate contained in a template decision memorandum. The details provided within the decision memorandum need to be drafted to fit the specific circumstances related to the proposed action.

(Note that the Director, GAD issued a memorandum with an effective date of 10/1/96 that redefined the requirements of the decision memoranda for IAGs. The template for IAG decision memoranda would address those requirements.)

4.2.4 The Director, APPCD should take appropriate action to ensure that all future assistance and interagency agreements include a term and condition requiring detailed financial information to be submitted on a periodic basis; e.g., quarterly. In cooperative agreements, where POs are seldom called upon to review payment requests, financial details included in progress reports should be sufficient for monitoring purposes. For IAGs, the detailed financial information should coincide with the other Agency's request for payment so as to provide the PO with sufficient information to effectively review the payment request. The level of detail should conform to the categories used to establish the agreement which generally include direct labor, fringe benefits, travel, equipment, supplies, indirect costs, etc. Note that if subcontractors are included as a significant partner in the agreement, then detailed financial information from the subcontractors should also be required.

4.2.5 The Director, APPCD should take appropriate action to ensure that IAG POs are aware of their responsibility to request the suspension of payment when detailed cost information is not provided. The review team also recommends that the financial responsibilities of POs under assistance agreements be reemphasized and that the EMS provide assistance to those POs who believe that more detailed information is needed for them to effectively monitor the financial aspects of their current agreements which may lack language calling for such information.

DIVISION GENERAL RESPONSE TO CROSS CUTTING FINDINGS: We note that much of the ORD guidance for file documentation and Decision Memorandum content came into

being after the award of the actions reviewed. For example, most of the actions reviewed were awarded before the issuance of the July, 1994, version of Chapter 12 of the ORD Policy and Procedures Manual. We also note that a number of the items discussed above under "decision memos..." are still not covered by the 1995 version of Chapter 4 of that Manual (e.g., there is no guidance regarding discussion of substantial involvement, competition and travel). In any event, please be assured that we plan to improve the quality of our documentation and files as recommended and we propose the following actions in response to the recommendations:

RECOMMENDATIONS

4.2.1 DIVISION RESPONSE: The Review Team recommended that we ensure all open extramural files reflect all required approvals.

ACTION TAKEN: We are instituting a program to review all of our active extramural files and we will obtain any missing documents as time permits.

4.2.2 DIVISION RESPONSE: The Review Team recommended that we ensure approvals are obtained and documentation is retained for all future actions...all files are well organized and include evidence of monitoring.

ACTION TAKEN: We are preparing file checklists for various types of actions (competitive and non-competitive cooperative agreements, reimbursement and disbursement IAG's) and, after coordinating with NRMRL, we will distribute these and provide assistance to the APPCD Project Officers in utilizing them. We believe that this, along with a diligent review and documentation of the approval process for future actions, will solve much of this perceived problem.

4.2.3 DIVISION RESPONSE: The Review Team recommended that we strengthen decision memos.

ACTION TAKEN: In March of 1996, we issued guidance and a standard format (see Attachment 4) for decision memos for both cooperative agreements and IAGs based on the requirements of Chapter 4 of the ORD Policy and Procedures Manual and the text for the ORD Project Officer's Assistance Course. We believe that this, along with a diligent review and documentation of the approval process will adequately deal with this issue.

4.2.4 DIVISION RESPONSE: The Review Team recommended that we ensure future coops and IAGs require detailed financial reporting.

ACTION TAKEN: In the past, the financial reporting requirements have been specified by GAD. However, in December of 1996, we issued guidance regarding terms and conditions for cooperative agreements, including examples of financial and technical status report requirements (see Attachment 5). In addition, we will attempt, during the above mentioned file reviews, to identify needs and to initiate amendments where appropriate to obtain more detailed financial reporting, within the limits set by 40 CFR 31.40, 40 CFR 160, and OMB Circular A-110 Part 50.

4.3 COOPERATIVE AGREEMENTS

INTRODUCTION. The review team reviewed seventeen current APPCD CA files and interviewed seven POs. The review covered the following CAs (with those POs who were interviewed marked with an asterisk):

<u>CA NO.</u>	<u>COOPERATOR</u>	<u>PROJECT OFFICER</u>
CR823020	Georgia Tech Research Corp	Carl Ripberger
CR822641	Harvard University	John Chang*
CR824049	Midwest Research Institute	Robert McCrillis
CR822007	Georgia Tech Research Corp	Kelly Leovic
CR822025	Research Triangle Institute	Kelly Leovic
CR824152	Research Triangle Institute	Chester Vogel*
CR823632	University of Minnesota	Russell Kulp
CR824308	U. of California--Santa Cruz	Robert Borgwardt*
CR824639	Tech.Institute for Manufacturing Electronics	Charles Darvin
CR824257	Research Triangle Institute	Carlos Nunez*
CR822227	Texas A&M University	Robert Hendricks
CR822780	Southern Research Institute	Samuel Rakes*
CR823052	Research Triangle Institute	Susan Thorneloe-Howard
CR819641	University of Aarhus	Mark Mason
CR822870	Research Triangle Institute	Leslie Sparks*
CR822871	Research Triangle Institute	Carol Purvis*
CR824302	North Carolina State University	John Wasser

The specific findings and recommendations follow.

1. Scopes of CAs Modified Without ORD and/or GAD Approval

Findings:

The review team detected instances where CAs appeared to have been modified during performance without being submitted to designated ORD officials for approval and/or being transmitted to GAD for processing as a formal amendment to the agreement. The ORD Policies and Procedures manual provides guidance for approval of changes outside the original scope of a previously approved assistance agreement. In conjunction with ORD's guidance, both the GAD and ORD training manuals for POs provide additional instructions along with illustrations on changes that require issuance of a formal amendment by GAD. The ORD guidance and delegations of authority are established at Chapter 4.4-15, post award phase, item (b) which reads as follows:

(b) Supplemental funding with additional work and/or years outside the scope and outside

the original approved project purpose yielding a change in scope and funding level requires ORD approval as follows:

<u>Function</u>	<u>Concurrence</u>	<u>Approvals</u>	<u>May Be Redelegated To</u>
a) < \$1 million		LD/CD/OD	Deputy, DD
b) \$ 1 million to \$5 million	SRO	LD/CD/OD	Deputy
c) > \$5 million	SRO and LD/CD/OD	AA/ORD	None

Furthermore, 40 CFR 30 (in both the former and recently revised versions) requires approval of the EPA award official for:

- Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).
- The need for additional Federal funding.

Examples where changes had occurred on specific agreements without evidence of prior approval being obtained from the appropriate ORD official or issuance of a formal amendment from GAD are outlined below:

o The review team identified a number of instances under CA CR822870 with RTI where the agreement should have been, but was not, amended by GAD to reflect changes in the scope. This CA identified numerous independent research projects (minimum 13), most of which were not initiated due to budget constraints. The projects were often described in general terms indicating some preliminary research would have to be conducted before a project narrative was finalized. During the interview the PO identified four of the projects that were initiated and indicated two of those were scaled back. He also indicated a new project was added. The new project could only remotely be tied to the area of the proposal that was identified. The specific findings related to this CA are detailed in Exhibit 1. The review team believes that the agreement required a formal amendment to 1) reduce the number of projects associated with the agreement, 2) to scale back the scope of projects that had been approved and 3) to initiate projects that were not defined in the original research proposal.

o The review team found similar problems under CA CR824152 with RTI. The original scope of this CA was established to conduct evaluations to assess the performance, economics, and reduced emissions potential of newly developed low-emitting adhesive formulations. Under the initial stages, these product evaluations were to concentrate on gathering data on lower-emitting adhesives as replacements for conventional ones within two industry sectors: automotive assembly and furniture manufacturing. This data was then to be provided to EPA and the technical advisory group to assist with research scoping and to be used to narrow the focus to specific applications within the two previously mentioned industry sectors. Following discussions between EPA and RTI to narrow the focus to specific applications, RTI was to conduct bench scale tests on new or emerging low-VOC/low-HAP adhesive products. The scope of this CA was changed approximately one year after award without LD approval or the issuance of a formal amendment through GAD. Documentation within the file indicates that

another ORD organizational unit (NCERQA) provided the funding, commitment notice, and proposed research scope to initiate this post-award change. This change was primarily a continuation of work initiated under a previous CA with RTI (CR818419) which expired on 9/30/95. The recipient was instructed to 1) continue its development and expansion of EPA's Enviro\$en\$e (ES) information system, 2) continue support of Environ\$sen\$e World Wide Web activities, 3) continue daily and periodic maintenance of the Web server containing SAGE and the Navy P2 Library, 4) update and add other data bases to the Solvent Alternative Umbrella, 5) participate in the development and implementation of a DOD ES deployment plan which includes the development of multimedia training/deployment at various Navy Environmental Leadership Program (NELP) workshops, 6) participate as a member of the Navy Facilities Engineering Service Center, DOD and the ES working group, and 7) assist with the development of various models, videos and other training tools to be used in the NELP workshops. The review team finds that these tasks clearly fall outside the original scope as identified in the approved research narrative. Furthermore, the file documentation indicates the new work was performed at the direction of and primarily for the direct benefit of the Agency and as such was more appropriate for acquisition than assistance. The review team also has concerns about the competitive process since it appears that NCERQA utilized this existing CA to circumvent competition.

- o The review team found that CA CR824308 with the University of California-Riverside was downscaled without a formal amendment. The complete project as conceptually planned and presented in the proposal was to include 3.5 years of fabrication, installation and testing at an estimated project cost of \$6.5 million. However, documentation contained within the file indicates that funding for this project was a problem from the very beginning. Initially EPA's available funding for this project was only \$743,000 with the intention of securing funds from other sources that were not specifically identified. To date EPA has provided a total of \$1.3 million to this agreement for the first two years of the project. There are several memoranda in the file from the PO to the recipient indicating the lack of funding and emphasizing the importance of completing the gasifier project before undertaking any other work. This agreement should have been formally amended to reflect this apparent lack of funding and resulting downscaling of the project.

Failure to secure appropriate ORD approvals to proceed with significant revisions to previously approved assistance agreements may result in situations where EPA is funding (or not funding, as the case may be) those projects that ORD management believes are of the greatest benefit to the public at large. Furthermore, review of changes to the scope of CAs by the EMS would reduce the chance that such changes create vulnerabilities for the Division. Finally, failure to secure GAD approval of such changes though a formal amendment creates a situation where the Division is in violation of the CFR.

2. Assistance Agreements Improperly Used to Acquire Direct Agency Support

Findings.

The review team found a number of instances wherein assistance agreements appear to

have been used to acquire direct support for the Agency contrary to the provisions of the Federal Grants and Cooperative Agreement Act (FGCAA). EPA Order 5700.1 expands upon the FGCAA by providing guidance for distinguishing between assistance and acquisition. Section 6.b(1) of the Order includes the following guidance:

“Direct Benefit or Use - In applying the principal purpose test, offices and laboratories must determine whether the government is the direct beneficiary or user of the activity. If EPA provides the specifications for the project; or is having the project completed based on its own identified needs; or will directly use the report or result of the project (for example, by incorporating or relying on information developed by the project in writing EPA guidance or standards) then, in most cases, the principal purpose is to acquire property or services for the direct benefit or use of EPA and thus, a contract relationship exists.”

Examples of instances where the review team found evidence of improper use of assistance agreements include:

- o The review team found that CA CR822870 with RTI appears to have been used, at least in part, to acquire direct support for the Agency based upon the following:

- The need for this specific research project was identified by an Agency program office.
- The Agency provided the specifications for this project.
- Deliverables include an EPA guidance document and an EPA report.

Exhibit 1 to this report provides full details of the findings to support this conclusion.

- o Another assistance vehicle that appears to have been utilized to acquire direct support for the Agency was CA CR824257, again with RTI. The review team found that reports and correspondence contain considerable language suggesting that the purpose of the agreement is at least significantly for the direct benefit of EPA. Examples include:

- 11/6/95 RTI Report “EPA would like RTI to look at the former OCB’s strategic plan (1994) to critique it and possibly identify additional work needed to improve it.”
- (Same report) “[EPA] is interested in a comprehensive and integrated research program in paint and coatings, but what exactly this means needs further definition.”
- (Same report) “[EPA] wants to get together...to start to map this [fundamental research projects] out and get some work going.”
- RTI Report 7/16/96 “...This proposed work [completion of the “CAGE” document that was begun 24 months earlier under another agreement] would accomplish the original goal set forth by EPA in developing the CAGE.”
- 4/17/96 RTI to EPA letter “[EPA] requested that I prepare an estimate to do a (short) study of the stability of styrene in (heated) Tedlar bags.”
- RTI report 10/96 “RTI has been asked to write a paper and present CAGE at the upcoming A&WMA...conference....Originally the Project Officer was going to write the paper and perform the presentation. The abstract was written and submitted by EPA.”

-- RTI Report 9/96 "In anticipation of regulatory development efforts for the textile industry, it is important that pollution prevention be considered now so that research can be completed before and includes (sic) as an integral part of the proposed rule." (emphasis added).

RTI Report 7/96 "The purpose of this research area is to complete various final research reports that were initiated during a previous cooperative agreement." And later in a different area of the same report: "The purpose of this research area is to complete the final research report for the innovative ink-feed systems project that was initiated under a previous cooperative agreement...."

These statements within the CA file could lead to the conclusion that a significant amount of effort put forth by RTI was for the direct benefit of the Agency and as such should not have been performed under a CA.

- o CA CR822227 with Texas A&M was established to study the performance of refrigerants for replacement of HCFC-22. The EPA peer reviewer for this CA stated "successful completion will enable EPA to successfully regulate phaseout of HCFC-22", implying a direct, immediate need in support of Agency regulatory activities.

- o CA CR824152 with RTI, as discussed in the previous section, had indications that the work was performed at the direction and for the direct benefit of the Agency.

The use of assistance agreements to acquire direct support for the Agency is contrary to the requirements of the FGCAA, as well as other Federal and Agency regulations, policies and procedures. This type of activity undermines ORD's credibility with Congress and the OIG and jeopardizes our continued efforts of internal reform relative to management vulnerabilities.

3. Documentation of Competition Under CAs Could Be Improved

Findings.

At least five competitive CA files were included in the review which did not contain adequate documentation of the competition. The Assistance Administration Manual (EPA Order 5700) discusses at page 15-2 the requirements for documenting the decision process including the need to "...establish a clear and complete record of each decision process and retain this documentation in each official file." Not too much should be read into the fact that each of the examples cited below was awarded to RTI, since all five had different POs. Also, the files selected were weighted somewhat on RTI because of the initial observation that RTI had a great deal of actions with the laboratory. Specific findings follow:

- o CA CR822870 was established to study various building systems for potential methods of reducing indoor air pollution. The decision memorandum stated that the award resulted from a competition, but that was all. Neither in the decision memorandum, nor elsewhere in the award file was there any discussion of how many or who proposed, or of what comments were made by the peers, or of why RTI was selected. It is possible that there was a separate file that was not

provided for review, but the decision memorandum should contain or refer to a summary of the process.

- o CA CR822871 was established to perform a demonstration on energy conversion from biomass. While the file did contain the peer review score sheets and a chart of the scores, the decision memorandum did not contain a discussion of the reviews nor of the selection decision. While the file would permit the reviewer to conclude that the selection of RTI was appropriate, there is no clear record of the approval official's decision rationale.

- o CA CR822025 was established to apply pollution prevention techniques to indoor air pollutant emissions from office equipment and other office products. In areas other than selection, this file was well documented. While there was a chart of the peer scores that showed RTI as the highest rated applicant, there was no evidence of the substance of the reviews, and the application from RTI did not contain a budget. Also, while the RFA and SOW use the term "research" from time to time, a layman's review of the application and SOW do not indicate that any particularly substantive research was in fact proposed and available for peer review. It is essentially a proposal to do data searches and conferences.

The common problem in all of these was the absence of clear documentation in the file regarding the competition and the rationale for selection.

- o CA CR824257 was established to study the potential for reduction of VOC/HAP emissions from various coating processes (paint, etc.). The decision memorandum does indicate that four applications were received, and from whom, but there is nothing in the decision memorandum or elsewhere in the file to demonstrate the evaluation and selection process. From the file review, it was difficult to follow the actual steps in the process - dates of release of RFA; close date for proposals, date of submission to peer review, and of the peer report. Discussions with the EMS indicate there were two RFAs, an initial mailing in April 1993 that indicated funding in the amount of \$1.2M, and then another issuance in November 1993 which indicated a higher level of funding at \$4.5M. The EMS explained that there was only one response to the initial issuance which was not considered satisfactory, and subsequent to the receipt of that application more funding became available. For that reason the second solicitation was issued. There is little if anything in the file other than the two RFAs to explain the rationale for cancelling the first solicitation and issuing the second at a higher funding level. Additionally, there are no copies of the peer reviews on the three who were not selected, nor any discussion of their findings. There is no rationale for why RTI was considered to be superior to the others. There also is no evaluation of the budget proposed by RTI.

There is also a concern about the research focus in the RFA versus the research narrative included in the agreement. The RFA called for proposals for projects to improve existing coating methods and to develop new ones. But the RTI application contained little in the way of specific research proposals, and instead proposed to survey coating industry representatives to find out where the future research needs lie, and only then to propose specific research. It is not clear whether the non-selected applicants proposed specific research or whether they also understood that specifics could be determined later. Nor is it clear that all proposals therefore were reviewed

on the same basis. In addition, the RTI proposal indicates at one point that RTI and EPA had already jointly sponsored a focus group meeting to determine research needs. Some comments in the proposal, and more in the post award correspondence indicate that much of the RTI effort is directed toward the completion of reports on work that was sponsored under other agreements.

These findings are not necessarily inappropriate, especially on an individual basis. But when taken as a whole, the file does not present a clear picture of a fair competition:

- an RFA whose value triples without a documented explanation;
- and whose scope emphasis changes without explanation;
- where it appears RTI and EPA held discussions under a predecessor CA which led to the scoping of the research needs for the new CA;
- where the winning application is not particularly specific on research to be done;
- where the file does not contain information on the specifics of the applications of the other competing applicants;
- and the peer reviews are not based on an approved plan, or lack detail, or are not clearly unbiased.

o CA CR823052 for studying municipal waste management options, had more than an absence of documentation. The facts available in the file suggest that there were substantive problems with the conduct of the peer review and with the selection process itself. RTI was not the first choice for 4 of the 5 reviewers. RTI was voted highest by only one, and two other applicants received top rating by two reviewers each. There were questions raised about RTI during the peer review that were not addressed in the file; for example:

“...the description of the MSW stages does not reflect accurate understanding of the LCA concept and how it should be applied to the MSW model.”

“...also have significant concern regarding statements about supporting graduate students and research at NCSU and University of Wisconsin. These have not been identified and one can be assured that both NCSU and particularly University of Wisconsin will find reasons to support graduate students. This is not what this study is about! I have concerns that there is not sufficient representation by local governments and to [sic] much by very vocal groups against combustion, landfilling and any other method that is not some reduction/recycling. ...I do not believe that their main team... is still very strong. Many of my comments on the preproposal still are valid. While they may be able to complete the work, I do not have the confidence that it will be the best we can get for the dollars available. Break in cost sharing gives them an unfair advantage.”

One reviewer sent the PO a separate memo expressing concern over awarding to RTI since their peer review group was “uncommitted if not hostile to waste-to-energy”, which was the focus of the agreement.

Not only do these comments raise concerns about the adequacy of the peer review process (as discussed in the following section), but they leave a large gap in the credibility of the competitive process. The decision memorandum simply addressed the membership of the peer

panel and stated that there were "no overwhelming contrary views."

Subsequent to the on-site review, the APPCD EMS explained that there was controversy on the peer review panel with 2 of 5 reviewers favoring one approach by one applicant, 2 of 5 reviewers favoring another approach by another applicant, and the fifth reviewer favoring RTI. Since RTI was rated first by one reviewer, second by three other reviewers, and third by the fifth reviewer; the decision was made after lengthy discussions to go with RTI as the middle ground between the two polar positions. The EMS told the review team that he had counseled the PO on the necessity to fully document this decision, but agrees the file does not contain much to explain the selection decision. Such documentation would have helped to alleviate concerns that the wrong applicant had been selected for award.

The review team believes that APPCD's failure to adequately document the competitive process leaves the Division vulnerable to criticism that the process is not fair, particularly in consideration of the number of CAs awarded to RTI. (Approximately 25% of the active CAs listed in OMIS on 9/23/96 were with RTI, and approximately 40% of the dollars associated with the active CAs were with RTI.) If the perception is established that RTI is a favored institution, then other qualified recipients may be reluctant to compete for APPCD's assistance opportunities which in turn would diminish the opportunity for the Division to fund the best research possible.

4. Weak Peer Reviews Minimize Value of Input

Finding

The review team found that many of the peer reviews that were conducted on CA proposals failed to achieve the goal established under ORD Policies and Procedures, Chapter 14.2 which reads in part at 14.2-3:

"The purpose of peer review is to identify any technical errors or shortcomings or unresolved issues in a preliminary product so that the revised work product will be based on sound technical information and analyses. It should be noted that peer review is a process for enhancing the scientific or technical work product."

The peer reviews that were conducted on APPCD's CA proposals often lacked substantive narrative that could have been used to strengthen the research projects which the division chose to fund. Specific findings include:

- o CA CR822870 with RTI was awarded competitively. RTI's proposal covered 13 separate tasks or sub-tasks as defined within the proposal (over 30 pages). Two external and one internal peer reviews were located in the file, none of which were over 3 pages in length and limited in specifics. Two of the peer reviews included no critique of any of the specific projects being proposed; rather they stated in general terms that the research would be beneficial and that both the personnel and facilities were appropriate. One of the external reviewers offered criticism on 3 of the tasks proposed, but there was no evidence in the file that these comments were addressed by RTI prior to award. In the decision memorandum section entitled

Reconciliation of any contrary reviews it was stated succinctly: "There are none." However, as noted above, one reviewer did offer specific criticism of the proposal. During the interview the PO stated that he believed the comments from the one reviewer were provided to RTI after award; but the review team found no file documentation that would verify that observation, nor any providing RTI's response.

- o CA CR822871 with RTI was awarded competitively. Thirteen pre-proposals were received and peer reviewed with RTI being selected for award and subsequently requested to submit a full proposal. Scoring sheets were used for the peer reviews based upon the pre-established evaluation criteria. The documentation for the peer reviews in most cases lacked substantive comments on the proposed technical approach. For some of the proposals, some of the reviewers simply returned the sheets with scores assigned but no supporting narrative. The PO indicated that it was difficult to solicit extensive narrative from peer reviewers who are serving in a voluntary capacity.

- o CA CR824257 with RTI was awarded competitively. Four applications were received and RTI was selected for award. The file contained four peer reviews of the selected applicant, but none for those who were not selected. One of the reviews had no substantive comments; only some unsupported scores. Two of the reviews contained some substantive comments, and the other had a few. Overall, the reviews did not appear to involve a particularly impressive analysis of the RTI application with little comment on the specific scientific quality of the research to be done. Rather the reviews concentrated largely on available personnel and facilities. As noted, there are no copies of any of the reviews of the three applications that were rejected, so there is no way to determine if the selection of RTI was the result of a solid evaluation.

- o CA CR824049 with Midwest Research Institute was awarded competitively. The peer review was insufficient inasmuch as it was based upon phone calls and a memo. The peer review lacked detail and had no rating scale. The decision memorandum indicated there was competition, but there was no evidence of same in the file so it is unclear what role the peer review played in source selection.

- o CA CR823052 with RTI was awarded competitively. Though the decision memorandum indicated there were "no overwhelming contrary reviews", the file included significant comments that should have been addressed as discussed in the previous section.

- o The summary rating sheet provided in the file for CA CR822780 with Southern Research Institute included multiple changes that were not explained.

- o For CA CR819641 with Aarhus University, the peer reviewers noted that there was insufficient data to evaluate the technical merit of the proposal but based their support of the award on the reputation and publication history of the Principle Investigator. The file included multiple rewrites of the proposal and the decision memorandum noted a lack of negative notes, but there was no documentation of positive support.

In addition to providing an opportunity for the Agency to strengthen the scientific merit of the research supported through assistance, the peer review process also serves to substantiate the source selection process within ORD's competitively awarded assistance agreements. As discussed in the preceding section of this report, the lack of substantive peer reviews lessens the credibility of the selection process.

A corollary concern relates to those assistance agreements wherein the recipient is required to submit work plans for specific research projects after award. The review team found little if any documentation indicating that these work plans are peer reviewed for scientific merit before the recipient is allowed to proceed with the research project. The review team concluded that the process of requiring work plans for the specific research projects after award contributed to the lack of substantive comment from the peer reviewers on the initial award. Many of the proposals or pre-proposals lacked specificity as to the research that was proposed because the first step was often established as a study of the problem before deciding, in cooperation with EPA, upon the exact nature of the research to be conducted. Once that decision was made, the recipient then developed a specific research plan or in some cases (see Exhibit 1) the recipient was provided with a Statement of Work that had been generated by EPA. This left the reviewers of the application with little to review other than the general discussion of the issue(s), the qualifications of the proposed personnel, and the adequacy of the facilities.

The review team recognizes that the examples cited here were for awards made prior to the establishment of ORD Policy and Procedures regarding peer review, and that the current policies and procedures, guidelines, training manuals, etc. are lacking or inconsistent with regard to the issue of obtaining substantive peer reviews of CA applications. The peer review policy is currently evolving within the various ORD laboratories and is considered a high priority by ORD management, including the Assistant Administrator. This review team is aware of other ORD organizational units that have encountered difficulties in obtaining effective peer reviews, particularly under competitive solicitations where 1) a large number of proposals or pre-proposals are received, 2) where the number of peer reviewers is limited, and 3) where the peer reviews are conducted on a voluntary basis. However there are other ORD organizations that have procedures that result in effective peer reviews.

Poorly conducted peer reviews can adversely impact the validity of the selection process which in turn could influence qualified research entities to refrain from competing for the Division's assistance agreements. Furthermore, the lack of substantive peer review comments negates an opportunity for the Division to enhance the quality of the research projects it chooses to fund.

5. Root Cause: Funding Non-specific Research Projects

Findings.

The review team believes that one of the primary causes contributing to the four issues discussed above is the Division's practice of awarding CAs based upon a broadly worded, non-specific research narrative which is supplemented after award by the submission of work plans

developed collaboratively by EPA and recipient personnel. For example, the following special condition was included in CA CR822870 with RTI:

"1. The EPA project officer and the Research Triangle Institute project manager will develop detailed work plans and quality assurance plans for each task in the cooperative agreement with emphasis on cooperative investigations."

The review team found that a significant number of APPCD's CAs were awarded with similar special conditions or requirements. While the review team is not aware of any written policy that would prohibit the practice of allowing recipients to flesh out their original proposals after award, the team none-the-less feels the practice raises serious questions as to the validity of the competitive process and to the efficacy of the peer reviews. Furthermore, the review team found that in some instances EPA defines the research that it wants accomplished for its direct use. The review team also believes the practice of requesting post-award work plans resulted in some instances of work being added that did not fit within the scope of the awarded agreement.

The review team has been advised that due to budgetary constraints in FY 96, NRMRL has instituted a temporary policy that requires the full funding of CAs at the time of award. The review team believes this new policy would inhibit APPCD from awarding broadly worded agreements with multiple projects since the decision would have to be made at the time of award as to what projects merit funding. However, the policy was identified as temporary to the review team; so this may only help to resolve the problem for the short term. Furthermore those broadly worded agreements that are still active present a continued opportunity for abuse.

Recommendations:

The review team makes the following recommendations:

4.3.1 The Director, APPCD should take appropriate measures to ensure all POs clearly understand what changes require the issuance of formal amendments from GAD. Furthermore, the staff should utilize the expertise of the EMS on all such matters.

4.3.2 The Director, APPCD should take appropriate measures to ensure that assistance agreements are not being utilized for the purpose of acquiring direct support for the Agency. The Director must ensure that Division personnel are aware of the different circumstances authorizing the use of assistance vs. acquisition.

4.3.3 The Director, APPCD should evaluate the practice of calling for post-award work plans to define the research project(s) in light of the vulnerabilities created. For those still in existence, management controls should be developed and implemented within APPCD to scrutinize new research projects being initiated so as to ensure the research does not represent a direct Agency need; i.e., one that is immediate, uninterrupted, and specific. At a minimum the EMS should review and concur with the initiation of all new projects under existing agreements.

4.3.4 The Director, APPCD should conduct an examination of active competitive CA files to

determine whether there are existing comprehensive summaries of the competitive process that simply were not included in the PO's award file. If any are found, they should be added to the file. If none are located, we recommend that a summary be prepared, even though it would be after-the-fact, so that any future reviewers could at least follow the process.

4.3.5 The Director, APPCD should take appropriate action to ensure that future awards are more thoroughly documented relative to competition. While this could be done in the decision memorandum, in most cases it would probably work better to have a separate summary document, with the relevant RFA, application abstract and peer reviews attached, and with the approval official's specific rationale. If this approach is used, then the additional documentation should be cross-referenced in the decision memorandum.

4.3.6 The Director, APPCD should assess the Division's peer review process related to research proposed under extramural vehicles. The EMS, some of the Division's experienced POs, and other experts on peer review within ORD (e.g., in NCERQA) should be consulted. If the Division continues to award assistance agreements that call for the submission of work plans after award, then the Director should take appropriate measures to ensure those work plans receive the appropriate level of peer review in conformance with Agency and ORD policy.

FINDING: Scope Modified without GAD Approval

DIVISION RESPONSE A: On CR822870, the APPCD Project Officer had been discussing this situation and an amendment to the SOW with the Grants Specialist since the summer of 1996 in conjunction with and while attempting to resolve the controversy between RTI, the University of Illinois, and PETL. That situation has now been resolved.

ACTION TO BE TAKEN: An amendment to the SOW was requested in November of 1996. While we have verbally followed up with GAD on that action, the amendment has never been issued. We will followup in writing and continue to pursue the matter until they act.

DIVISION RESPONSE B: NCERQA effort under CR824152 was completed and we do not intend to allow any further funding or effort from them under this cooperative agreement.

ACTION TO BE TAKEN: We will monitor this agreement to ensure no future changes take place without GAD participation.

DIVISION RESPONSE C: Under CR824308 with the University of California, we concur that such an amendment is needed but we believe that the 95/96 time frame would have been premature. In view of the dwindling resources, we believe our Project Officer was following a good management practice in asking the cooperator to limit their efforts to the completion of one task thus allowing time for EPA and the cooperator to seek additional funding sources for the other tasks.

ACTION TO BE TAKEN: We will ensure that an amendment is secured.

FINDING: Improper use of Assistance for Direct Benefit ..

DIVISION RESPONSE: We concur that there is an appearance of such a situation in some documents in some files (examples were furnished in 4 of the 17 files reviewed) but we believe this is primarily due to a lack of sensitivity to appearance regarding this issue by our personnel at that time (1991 to 1995). The Assistance Project Officers training course which stresses this issue did not begin until April of 1996. We would also like to point out that one of those four examples cited mentions quotes from the cooperator, not an APPCD employee. In another example cited, the quote is from a peer reviewer who seems to have been under a mistaken impression that the research supported would have some effect on the regulatory phase out of a chemical by OAR. In reality, the chemical phase out had been determined much earlier by the Montreal Protocol. The research supported by this agreement is simply to develop more economical, environmentally friendly alternate refrigerants than those currently available to industry and users and to the best of our knowledge this effort does not directly benefit EPA.

NO ACTION NECESSARY

RECOMMENDATIONS:

4.3.1 DIVISION RESPONSE: The Review Team recommended that we ensure all P.O.s understand what changes require formal amendments.

ACTION TO BE TAKEN: We will issue written guidelines to be sure Project Officers understand what constitutes a change. This guidance will be based on the Assistance Administration Manual.

4.3.2 DIVISION RESPONSE: The Review Team recommended that we ensure all assistance agreements are not being utilized to acquire direct agency support.

ACTION TO BE TAKEN: We believe that on the whole our assistance agreements have been properly chosen; however, we will institute a review of all active Coop's for this purpose.

4.3.3 DIVISION RESPONSE: The Review Team recommended that we evaluate the practice of calling for post-award work plans...develop and implement management controls to scrutinize new research projects.

ACTION TO BE TAKEN: We have done so and will limit this practice to only large and complex projects where it is appropriate to secure work plans for peer review of the specific details of test protocols, statistical approaches, and similar efforts.

4.3.4 DIVISION RESPONSE: The Review Team recommended that we examine all active competitive coop files to determine whether comprehensive summaries of the competition exists that were not included in the P.O. files... If so add to the file...If not, create such summaries and

add to the file.

ACTION TO BE TAKEN: In conjunction with the file reviews mentioned in response to 4.2.1 and 4.3.3, we will review and document as time permits.

4.3.5 DIVISION RESPONSE: The Review Team recommended that we ensure all future awards are more thoroughly documented relative to competition.

ACTION TO BE TAKEN: Through the checklists discussed earlier and through our file reviews and approval process, we will ensure future awards are more thoroughly documented with respect to the competitive process followed. (also see 4.3.6).

4.3.6 DIVISION RESPONSE: The Review Team recommended that we assess APPCD peer review process and that if post award work plans are continued, we should ensure they are peer reviewed.

ACTION TO BE TAKEN: We have done so and, as a result, we propose to begin using paid peer reviewers so that we can better control their schedule and output. Our purchase orders will specifically require detailed narrative to support numerical scores on the issue of post-award work plans, see 4.3.3 above.

4.4 INTERAGENCY AGREEMENTS

INTRODUCTION. Nine IAG files were reviewed and five POs for IAGs were interviewed, listed as follows with the POs who were interviewed marked with an asterisk.

<u>IAG NO.</u>	<u>AGENCY</u>	<u>PROJECT OFFICER</u>
RW64937353	Tennessee Valley Authority	Charles Sedman*
DW57937570	U.S. Air Force	Theodore Brna
RW69937476	Federal Highway Administration	Carl Ripberger
DW89936536	Oakridge National Laboratory	Robert Hendricks*
DW80936395	NASA	Geddes Ramsey*
DW89937403	DOE/Sandia Laboratories	Charles Miller*
RW89936334	Department of Energy	Susan Thorneloe-Howard
DW49936487	National Science Foundation	Christopher Geron*
DW96936393	Corps of Engineers	Samuel Rakes

Specific findings and recommendations follow:

1. Some Statements of Work for IAGs Were Well-Developed--Others Not

Findings:

The review team found that some of the SOWs for IAGs were well developed while others were not. Guidance provided in the IAG Compendium at 4.A-10 reads:

“The scope of work should be clear and comprehensive. It should include responsibilities and deliverables associated with the agreement.”

Current training for IAG POs stresses the importance of well-defined SOWs. Good IAG SOWs should include details on planned activities, milestones, and deliverables. In addition, cooperation authority IAGs should address the responsibilities of both agencies.

A. Examples of IAGs with Well Developed SOWs

- o IAG DW49935487 had a very well defined SOW that provided detail on the planned activities, milestones, and expected deliverables.

- o IAG DW80936395 with NASA for a paint stripping study had a good SOW. It has 6 specific task areas with specific assignment of duties between EPA and NASA. In addition, there are modifications that make line-by-line changes as the work evolved and requirements changed. (However there were other problems with this agreement as noted in section 2 which follows.)

B. Examples of IAGs with Less Than Ideal SOWs

- o The SOW for IAG DW 96936393 was typed onto the EPA form 1610. The SOW described in general terms what the goal of the agreement was and little else. The decision memorandum provided slightly more detail as to what was planned, but not very much. If performance under this SOW does not provide what is expected, there is very little recourse for the EPA to either obtain the expected deliverable or recover funds.

- o The SOW for IAG RW64937353 with the TVA was awarded under a cooperative authority but the SOW is silent on TVA's participation. The PO noted that EPA's in-kind contribution was to manage the project actually being accomplished by RTI under a CA. He noted that, under an MOU (not in file), EPA and TVA had been co-developing the technology for a coal fired boiler but in this case EPA was providing technical expertise for TVA and “working for them”.

- o The SOW for IAG RW89936334 with DOE was fairly specific about the minimum work that EPA will ensure is completed but provided no time line for the three year agreement, no cost breakdown, and was silent on DOE's participation.

A well defined SOW is critical for ensuring that the Agencies participating in an IAG understand their respective rights and obligations. It is also critical for developing the cost estimates as discussed in the following section. IAGs are in essence contracts between two agencies and as such should be clearly defined to the maximum extent feasible.

2. Front-end Budget Development Lacking for New IAGs

Findings:

The review team found that some of the IAGs did not include evidence of the preparation of an independent Agency cost estimate. The IAG Compendium at 4.V-3 stipulates that the originating office is responsible for developing a preliminary cost estimate for the project which considers personnel, travel, equipment, supplies, procurement/assistance, construction, other costs, and indirect costs. The IAG Compendium further stipulates that the originating office must negotiate the final terms of the IAG including the final cost estimate. Some examples where these criteria were not met follow:

- o The file for IAG RW89936334 with DOE did not include evidence of an EPA developed preliminary cost estimate. EPA did not provide DOE with sufficient information to make a determination of price reasonableness.

- o The file for RW64937353 with TVA also lacked an independent EPA preliminary cost estimate and provided insufficient information to TVA for them to assess the reasonableness of the cost. The PO noted that EPA had relied on TVA's estimate for the IAG costs but had no documentation of those costs in the file. Nor was there any breakdown of EPA's \$50,000 in-kind contribution to the project.

- o The review team found no preliminary cost estimates developed for IAGs DW49936487 with NSF and DW96936393 with COE. There was a general budget breakdown on the IAG itself. Whether the budgets were fed directly from the other agency or the result of negotiations cannot be determined from the file.

- o The file for IAG DW80936395 with NASA had no front end budget documentation. As each increment of funds was added, there was a limited description of the costs that EPA funds would be spent on, specifically including an equipment list. There appears to be an understanding that NASA would contribute in-kind resources, but they are never quantified. There also may be an Air Force contribution, though again it is not clear in the file as to amount or purpose. Even the amount of EPA's potential obligation is unclear. There are file notes to the effect that NASA is planning on our obligating between \$100K and \$200K in each of the three years. In fact, so far we have only obligated \$275K total, and it is not at all clear that there will be any more funds obligated to the IAG. None-the-less, the PO believes that NASA is incurring costs on the assumption that additional funding is forthcoming. The PO is aware of the need to advise NASA not to expect more than what we have to obligate, and will likely reduce the SOW as necessary. But all parties seem uncertain of what that amount will be, or even of what we have tentatively promised.

The failure to develop independent preliminary cost estimates for IAGs creates a situation where EPA is over-reliant on the other Agency's budget estimate which in turn could lead EPA,

particularly under funds-out IAGs, to expend funds beyond what is necessary to complete the work. Failure to develop an independent cost estimate negates an opportunity for EPA personnel to better understand the full extent of the proposed agreement.

Recommendations:

The review team makes the following recommendations:

4.4.1 The Director, APPCD should take appropriate measures to ensure IAG SOWs are clear and comprehensive, describe the responsibilities of both Agencies, and identify anticipated deliverables and due dates.

4.4.2 The Director, APPCD should take appropriate measures to ensure compliance with Agency policy that calls for the development of an independent Agency budget estimate as an integral tool for negotiation of the final terms of an IAG.

4.4.1 DIVISION RESPONSE: The Review Team recommended that we ensure IAG statements of work are clear and comprehensive.

ACTION TO BE TAKEN: We will communicate these requirements to our staff and enforce them through our review and approval process.

4.4.2 DIVISION RESPONSE: The Review Team recommended that we ensure compliance with requirements to develop an independent government cost estimate.

ACTION TO BE TAKEN: We will communicate these requirements to our staff and enforce them through our review and approval process.

4.5 CONTRACTS

INTRODUCTION. Seven contract files, one delivery order file, and three work assignment files were reviewed. In addition, five contract POs, one DOPO, and three WAMs were interviewed. The contracts/work assignments/delivery order that were reviewed are listed below with those individuals who were interviewed identified with an asterisk.

CONTRACT NO. CONTRACTOR

PROJECT OFFICER

68D10008	International Fuel Cells Corp.	Ronald Spiegel*
68D50163	EC/R Inc.	Charles Mann*
68D20186	International Fuel Cells Corp.	Susan Thorneloe-Howard*
68D40123	Dr. Malcolm Leadbetter	Judith Ford*
68D30045	Research Triangle Institute	Judith Ford
68D40100	E.H. Pechan and Associates	Susan Thorneloe-Howard
68D40005	Acurex Corporation	Judith Cook*

WA 52
WA 30
WA 49
68W50065

OAO Corporation (FAIR Delivery Order)

P. Limieux (WAM)*
R. Kulp (WAM)*
N.D. Smith (WAM)*
Charlotte Bercegeay*
(DOPO)

The specific findings and recommendations are discussed as follows:

1. WAM Support to Project Officer under Acurex Could Be Improved.

Findings:

The review team identified some areas where involvement of the WAMs with the PO and CO on critical contract management activities under the Acurex contract was either lacking or undocumented. The specific findings are as follows:

- o The review team found that the WAMs are not fully supporting the PO under Contract No. 68-D4-0005. The PO was selected due to her administrative skills as opposed to scientific or technical qualifications. The review team found little effort being made by the WAMs to review monthly costs, and no input by them to the PO for her to use in acting to recommend payment on invoices. In addition, the WAMs rarely copy the PO on correspondence, meeting agenda/minutes, or other documentation relative to technical performance. Other than for certain regular outputs (work plans and monthly reports), it is not clear that either the WAMs or the PO are closely tracking the receipt of deliverables. The rationale provided for the lack of invoice input was that the contractor gives little hard data for the WAMs to review. The absence of technical progress/performance input seems to relate to a sense that the issues are beyond the field of the PO, coupled with an absence of recognition of the obligation to keep her informed of such matters.

Subsequent to the review, the APPCD EMS informed the review team that structural changes were being made at the time of the review. In October, 1996 OAM changed the reporting requirements of the contract to increase the level of detail provided for costs incurred on each work assignment. In addition, OAM provided a training session for RTP personnel which highlighted the changes to the invoicing and financial reporting requirements for contractors and which explained the invoice review procedures for WAMs and POs. In addition, the APPCD EMS held follow-up sessions with each branch to go over the invoice review process in more detail.

Pursuant to the Contracts Management Manual Chapter 7, the contract Technical Direction Clause and the new invoice approval procedures, the role of the WAM is critical for providing the technical expertise that an administrative type PO doesn't have. This includes responsibilities ranging from assessing the costs vouchered in comparison to work performed to assessing the adequacy of deliverables. Accordingly it is critical that the WAMs work closely with the PO and CO to effectively manage the contract, and that they keep the PO and CO apprised of their technical monitoring activities such as the issuance of technical direction.

Indeed it is in the best interests of the WAM to be able to show that they put the PO/CO on notice of the directions they give.

Recommendations

The review team makes the following recommendations:

4.5.1 The Director, APPCD should take appropriate measures to determine the effectiveness of the new procedures for WAM technical support to the PO and address any vulnerabilities which persist.

4.5.2 The Director, APPCD should take measures to ensure WAMs understand that it is required by the Technical Direction clause that they give copies of technical directions to both the PO and the CO. It may be necessary for the PO or the EMS to refresh the WAMs on the distinctions between Technical Direction and technical communication.

4.5.3 The Director, APPCD should take appropriate measures to ensure deliverables are recorded and tracked under contracts, and that the review and acceptance of deliverables is documented in the POs' and WAMs' files.

4.5.1 DIVISION RESPONSE: The Review Team recommended that we determine the effectiveness of new WAM support and address vulnerabilities.

ACTION TO BE TAKEN: We will do so by periodically discussing this with the APPCD Project Officers of our level-of-effort, work assignment contracts.

4.5.2 DIVISION RESPONSE: The Review Team recommended that we ensure WAMs understand the requirement to give copies of technical directions to the Project and Contracting Officers.

ACTION TAKEN: We have done so by written communications to our staff (see Attachment 6) and will check compliance by periodically consulting with the applicable Project Officers.

4.5.3 DIVISION RESPONSE: The Review Team recommended that we ensure deliverables are recorded, tracked and documented.

ACTION TO BE TAKEN: We will do so by distribution of the file checklist discussed earlier and by random review of files to ensure compliance.

EXHIBIT 1--ADDITIONAL DETAIL RELATED TO CR822870

BACKGROUND

CR822870 serves to illustrate a number of findings contained in this report; namely that some of the assistance agreements are being utilized to acquire direct support for the Agency, that peer review of the actual research being performed is lacking, and that some of the effort is outside the scope of the approved agreement. This CA, with a start date of 8/1/94, was awarded to Research Triangle Institute (RTI) for the purpose of improving indoor air quality--"To develop and demonstrate engineering approaches in buildings systems that will improve IAQ in residential and nonindustrial commercial buildings." RTI's proposal identified thirteen individual tasks that they would undertake. The CA called for the recipient and EPA to cooperate in the development of research plans for the specific tasks after award.

EXAMPLE OF ASSISTANCE UTILIZED FOR DIRECT SUPPORT

Section 3.2 of RTI's proposal is entitled "Ventilation Systems Research" and includes the following sections:

3.2.1 Introduction

3.2.2 Strategies to Prevent or Minimize Adverse HVAC Impact on IAQ--

The stated concept is to conduct laboratory and field investigations to develop innovative HVAC design, operation, and maintenance practices to prevent or minimize adverse IAQ impact on HVAC systems. An extensive rationale is then presented discussing various problems with indoor air attributed to HVAC systems. The proposed approach is to conduct a laboratory and field study of HVAC systems as sources of indoor air contaminants. The first year was proposed to evaluate the problem through a literature search followed by an engineering analysis of the problem areas. The proposal notes that "The answers will not all be available in the literature, and field studies of the conditions at the problem locations will probably be necessary (emphasis added) to complete the engineering analysis." Further on the proposal states: "Most of the effort will be placed in the review and the field studies, with a small bench-scale laboratory effort if required (emphasis added)." As stated in the proposal, the second and third years of the research program will be focused on developing remediative and preventive strategies. The description of the proposed research activities is generic; e.g., it states "building problem areas will be reproduced in the laboratory at an appropriate scale to serve as test beds for improvement." No further details are provided. At the end of the section it describes one aspect of cooperation as the involvement of key EPA personnel in planning and defining the specific research subtasks.

By memorandum dated 3/16/95, one of the Division's engineers submitted a request to the Project Officer to "...initiate the issuance (of) a work assignment to Research Triangle

EXHIBIT 1

Institute under the above Cooperative Agreement. The scope of the research is shown in the attached Scope of Work (SOW) and is designated a (sic) Phases I and III." The SOW is 9 pages in length and includes Appendix A (5 pages) with task descriptions and Appendix B (3 pages) describing HAC System Components. The Introduction notes the SOW was developed by the Project Officer to provide "...general information and descriptions that convey the research proposed by the Environmental Protection Agency." It further states that the research project responds "...to a request by the Program Office for information, data and guidance concerning the use of air duct cleaning (ADC) for the maintenance of acceptable indoor air quality (IAQ) in residential dwellings." (The EPA engineer sponsoring this project was interviewed as a WAM under the Acurex contract. During the interview he confirmed this project was undertaken at the request of the Office of Air and Radiation.) Finally the Introduction indicates the research described in the SOW "...was developed from research proposals by associates currently performing research for AEERL"; namely Acurex, RTI, the U. of Minnesota and the U. of Illinois.

The project was divided into four phases with RTI having the lead for Phases I and III and Acurex (APPCD's on-site support contractor) having the lead for Phases II and IV. Phase I of the project calls for RTI to design and construct a residential HAC system pilot-scale test setup. In Appendix A, it states for this task that "RTI shall develop the design criteria and the design drawings with assistance from Acurex." Under Phase II, Acurex will evaluate and select the methods and procedures that will be used in the HAC system pilot-scale test setup. Under Phase III, RTI is to evaluate the selected tests using the test setup. In Phase IV, Acurex will design and perform a field study using up to nine occupied homes. Outputs 1, 2 and 5 are peer reviewed papers, output 3 is a guidance document of recommended practices, and output 5 is a peer reviewed EPA report. The SOW did not make it clear as to which organization was responsible for which output. In Appendix A, Task I-1 calls for submission of a work plan for PO approval which "...will show how the Contractors plan to accomplish the work including schedules, timeliness, milestones, and outputs."

While the research described in EPA's SOW falls within the generic research proposed by RTI under Section 3.2 of its proposal, the documentation supports the conclusion that the primary purpose of this particular research project is for the direct support of the Agency. The key factors leading to this conclusion include:

- o The need for this specific research project was identified by an Agency program office.
- o The Agency provided the specifications for this project.
- o Deliverables include an EPA guidance document and an EPA report.

LACK OF PEER REVIEW FOR RESEARCH PROJECT

Another problem associated with this particular research project is the lack of peer review for this effort. The original RTI proposal leading to the award of the cooperative agreement did

EXHIBIT 1

undergo peer review, but there is no evidence that this particular project received a similar level of peer review. The peer reviews conducted on the original proposal lacked substance with the comments addressing the capabilities of RTI to perform the types of research projects that were described generically with little technical detail. Only one peer reviewer critiqued any of the technical aspects of the proposal, and the critique was limited to portions of 3 distinct projects, though not the project identified here. An effective peer review of the this specific research project would have afforded the Agency an opportunity to strengthen the scientific merit of the proposed research.

EXAMPLE OF WORK PERFORMED OUTSIDE THE ORIGINAL SCOPE

RTI's originally approved research narrative at pages 3-44 to 3-46 described a research effort entitled "Numerical Modeling of Ventilation Effectiveness" which included a number of subtasks to "...build on current modeling capabilities and validation studies to make the existing model more flexible and more representative of real situations." Subtask 1 calls for incorporation of a broad range of source/sink models into the model. The approach for this subtask was for RTI to conduct a complete literature survey to update the model through incorporation of all possible source/sink characteristics. The key personnel proposed to conduct this research effort were identified as RTI employees.

Subtask 4 (pages 3-51 thru 3-53) of this same section of RTI's proposal was entitled Model Validation Study with the concept being to validate the predictive power of developed spatial and temporal models to ensure applicability to real indoor air situations. In the approach it notes that the testing of the current 2D model will be continued collaboratively between RTI and the Bioenvironmental Engineering Research Laboratory at the University of Illinois (UI) with UI providing the laboratory test facilities in which to construct the test rooms and assemble the HVAC system, etc. Along with RTI personnel, one of the two key UI participants was identified as Dr. Leslie Christianson.

Approximately in June, 1995 APPCD was notified that one of its proposed research projects under the Environmental Technology Initiative (ETI) had been accepted. The stated purpose was to create a test facility to characterize the chemical and particulate emissions of materials and products used in interior environments. APPCD's partners for this project included the Corps of Engineers Construction Engineering Research Laboratory (CERL), the Illinois Technology Center, and the Bioenvironmental Environmental Research Laboratory at UI. The proposal indicated that \$800K would be provided via an existing cooperative agreement to UI, though it did not indicate which vehicle. It also indicated \$100K would be provided to RTI via a CA, though it did not indicate here whether this was a new or existing CA. The abstract for this ETI project reads as follows:

"The objective of this proposal is to accelerate the development of green products for use in indoor environments. This will be accomplished through the establishment of a 'state of the art' test facility to characterize the indoor performance parameters (e.g., chemical profiles, emission factors, modeled exposure potential) of new low emitting/low impact products. The facility will be operated by a not-for-profit entity (i.e., The University of

EXHIBIT 1

Illinois) and will provide direct, low cost support to affected market segments, such as paints, aerosol products, electronics, etc. Commercial users will be given essential design and performance data to guide in the development of low emitting/low impact products for use (in) interior environments. AEERL and CERL will provide long term guidance and support in methods development, development of baseline data, and resolution of QA/QC issues."

The first task was to develop an approved work plan/business plan within 3 months after the start of the project. Ultimately the facility would be developed and tested so as to allow the initiation of commercial operations within 24 months from start-up. The cost for the first two years was estimated at \$950K. The key UI participant was identified as Dr. Leslie Christianson.

APPCD determined that the ETI project could be incorporated under CA CR822870 with RTI. However, the ETI project was delayed for an extended period of time due to UI's inability to develop an acceptable work plan. UI, however, proceeded to incur costs. By October 1996, UI had submitted invoices for about \$300K, most of which were disallowed by the EPA PO. For example, \$100K of subcontractor costs was disallowed because the subcontractor had not been approved for use under the CA. Subsequently UI solicited support from an Illinois Congressman to intercede on its behalf. The EPA PO was requested to provide background information for ORD management which he did by memorandum dated 10/7/96. Among other things, the PO indicated the following in his memo:

"When APPCD was notified of the award it was apparent that the project could not be implemented unless an existing cooperative agreement were used.

Research Triangle Institute (RTI) and the University of Illinois were partners in a cooperative agreement that was awarded to RTI as part of APPCD's competitive cooperative agreement process. This cooperative agreement called for RTI to be the lead and for the University of Illinois to be a subcontractor for research that EPA, RTI, and the University agreed on. Product emission testing was part of the scope of this cooperative agreement. A meeting between RTI, the University, and EPA was held to determine if the verification project could be implemented as part of this cooperative agreement. All parties agreed that the proposed verification project was the type of project intended to be implemented under the cooperative agreement. It was decided to implement the verification project under the EPA/RTI cooperative agreement."

Shortly after the project began, Dr. Christianson notified everyone that he felt that because there were numerous labs doing emission testing but with different protocols, that a new lab should not be established but rather effort should be put into:

Developing and adopting standard test protocols

Bringing the various stakeholder (manufacturers, designers, building owners, laboratories) together

Everyone agreed that this revision in effort would improve the program.

EXHIBIT 1

RTI, with EPA approval, awarded the university of Illinois a contract under the cooperative agreement. ...”

The review team does not agree with the decision to include the ETI project in the CA with RTI. Subsequent to the review, the review team was advised that the section of RTI's proposal under which this ETI project was incorporated was Subtask 1 under 3.4.2. While there may be some link between the ETI project and the goal of incorporating "...a broad range of source/sink models into the model", RTI's proposal narrative does not contain any hint that this would entail the establishment of a testing lab as described above. Furthermore it was Subtask 4 rather than Subtask 1 that identified participation of UI under this CA. The review team does not believe Subtask 4 bears any clear relationship to the ETI proposal either. The review team concludes that this ETI project is outside the scope of the CA and was processed under the CA for expediency sake because the ETI funds were awarded too late in FY 95 to process a new award. The review team believes CA 822870 was selected because it had a broadly stated purpose of product testing and because UI had been identified as a subcontractor under one of the subtasks.

As a side note, the review team questions the decision to modify this project as indicated in the PO's memo of 10/7/96. The ETI proposals were selected after a rigorous competition that included peer review. This project was selected on the basis of UI establishing a testing lab for indoor air products. That concept has apparently been replaced with an entirely new focus. The review team is uncertain of the procedures for changing the essence of the approved research projects; but it would seem logical that such an extensive change would require some sort of approval from the organization that had overall responsibility for ETI; i.e., the Office of Policy, Planning and Evaluation.

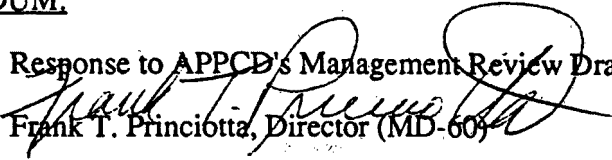


UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
AIR POLLUTION PREVENTION AND CONTROL DIVISION
RESEARCH TRIANGLE PARK, NC 27711

MAY 06 1997

OFFICE OF
RESEARCH AND DEVELOPMENTMEMORANDUM:

SUBJECT: Response to APPCD's Management Review Draft Report

FROM:  Frank T. Princiotta, Director (MD-605)

TO: Sandy Croley,
Management Review Team Leader, NRMRL

Attached is APPCD's response to the Management Review that your team conducted here last October. We have thoroughly reviewed the report, and - on the whole - we are pleased with our performance. However, I recognize that some significant deficiencies were identified, particularly in the area of the appearance of improper use of cooperative agreements and our less-than-ideal documentation of the peer review process for such agreements. As you can see in our attached response, we have, or will shortly have, instituted constructive procedural changes to deal with these and other deficiencies identified.

Thank you and your team for the time and effort you devoted to this activity. We trust that we will make an even better showing next time as a result of your recommendations.

Attachment (1)

cc: Tim Oppelt
Cal Lawrence
Management Review Team

CHAPTER 3 - FINANCIAL MANAGEMENT

3.2 FUNDS CONTROL

3.2.2 REVIEW OBSERVATIONS & FINDINGS

RESPONSE: AOS did not feel that it was necessary to include the Object Classes (OC) in the extramural Document Control Register (DCR) since the extramural expenditures were limited to only a few OCs. When APPCD's internal data base was established for FY96, we did not recognize the importance of including and tracking by, the OMIS project numbers in the extramural DCR. In FY97 APPCD modified the extramural automated DCR to include the object class and the OMIS project number for each commitment/obligation.

RESPONSE: AOS does not receive all obligating documents to input in the DCR. We will make every effort to obtain all obligating documents once we have reviewed the MARS Report.

ACTION TAKEN: All obligations have been entered in the extramural DCR via award documents and shall be kept up-to-date.

3.2.3 RECOMMENDATIONS

RESPONSE: It is difficult from the Management Review Draft Report to know what DCR had the discrepancies, therefore, both the intramural and extramural DCRs were reviewed.

ACTION TAKEN: Both the intramural and extramural DCRs have been checked for any discrepancies and, when necessary, corrections made.

RESPONSE: The review team recommends the use of OMIS which would support the project tracking that is needed to correct any DCR omissions.

ACTION TAKEN: We are continuing to input into OMIS, run reports, and obtain training on all modules of OMIS, which will help us in many different ways, including project tracking. In FY96 we ran into so many barriers and unknowns that it was difficult to rely on the outputs of the data. We also continued to run into problems that only the OMIS HOTLINE could resolve. I believe that the staff is more aware of the capabilities of OMIS and plan to use it to its full extent.

3.3 TRAVEL

3.3.2 REVIEW OBSERVATIONS & FINDINGS

RESPONSE: The report states: "The funding for all travel is recorded in the Document Control Register before the approving official signs." This is incorrect. The approving official signs all

EXHIBIT 2

TAs prior to recording in the DCR.

3.3.3 RECOMMENDATIONS

RESPONSE 1: AOS contacted the branch's support staff and determined that their files contained copies of receipts to support travel documents. It is not the responsibility of the FCO to keep receipts.

NO ACTION NECESSARY

RESPONSE 2: The TA does not require dates of signatures but this is a requirement for vouchers.

ACTION TAKEN: AOS sent out a memo to recommending and approving officials to ensure signatures on TAs and vouchers are dated. (See Attachment 1)

RESPONSE 3: To authorize use of POV as the primary mode of transportation does require a special justification that proves it is more advantageous to the government. However, there is an exception. According to Federal Travel Regulation 41 CFR Part 301-4.2, a special justification is not required for round-trip by POV in lieu of taxi between common carrier terminal and office or residence. Our local travel office and travel training we have received, support this position. We were instructed that the 'X' on the POV line in Block #11 is sufficient without providing a justification in the Remarks block. We verified this information with GSA.

NO ACTION NECESSARY

3.4 TIMEKEEPING

3.4.7 RECOMMENDATIONS

RESPONSE A: Timekeepers' copies of T&As do not include the supervisors' signature unless the supervisor makes a copy for the timekeeper before hand delivering to the DA.

ACTION TAKEN: The DA has offered to the supervisors to make copies of the signed timecards for the timekeepers if they request. (See Attachment 2)

B. NO RESPONSE OR ACTION NECESSARY.

C. NO RESPONSE OR ACTION NECESSARY.

3.5 BANKCARD

3.5.1.2 PROCUREMENT REQUEST

RECOMMENDATION

RESPONSE: Based on required training for bankcard holders and approving officials, it is not required to acquire signatures by the Approving Official for each individual item on the log sheet or on a Procurement Request (EPA 1900-8). Signature on the log sheet at the end of the cycle is sufficient. AOS confirmed this with Alan Ritter, the Bankcard Program Trainer. (See Attachment 3)

NO ACTION NECESSARY.

3.5.1.3 RECONCILED STATEMENT OF ACCOUNT

RESPONSE: Bankcard Holders or Approving Official did not have copies of the back page of the statement with the Approving Officials dated signature. The Team recommended that copies of this page be copied after signatures.

ACTION TO BE TAKEN: AOS will send out a memo recommending that the Approving Officials make a copy of the back page of the statement to be kept by the Bankcard Holder.

RESPONSE: The Review Team recommends that the log sheets and statements include a COMPLETE but brief description of item(s).

ACTION TO BE TAKEN: AOS will send out a memo with the Review Team's recommendation.

RESPONSE: The Review Team indicated that portable electric power tools are listed as prohibited items.

ACTION TAKEN: AOS contacted the Bankcard Program Coordinator and this item was removed from the restricted list in 1995. (See Attachment 3)

3.5.1.4 SUPPORTING RECEIPTS

RESPONSE: The Review Team suggests that the Bankcard Holders remind the merchant, before the purchase is made, that the purchase is TAX EXEMPT.

ACTION TO BE TAKEN: AOS will send out a memo reminding Bankcard Holders that all purchases are tax exempt.

3.5.1.5 BANKCARD LOG

RESPONSE: The Review Team noted that the "Date Ordered" and "Date Received" blocks on the bankcard log sheets were not always complete.

EXHIBIT 2

ACTION TO BE TAKEN: AOS will send out a memo reminding Bankcard Holders to submit a complete log sheet including the date ordered block and date received block, if item(s) have been received prior to the end of the billing period.

3.5.1.7 SUMMARY/RECOMMENDATIONS

RESPONSE: The Review Team was unable to obtain copies of authorized signatures by the approving officials or the FCO on the Bankcard Logs.

ACTION TAKEN: The FCO sends the Bankcard Holder a copy of his/her log sheet with signatures and accounting data.

RESPONSE: Bankcard Holders were not aware that ALL documentation must be kept for at least one full year.

ACTION TO BE TAKEN: AOS will send out a reminder regarding the length of bankcard documentation retention.

RESPONSE: The Review Team could not determine whether the statement was submitted to the Cincinnati FMC within the 5 day period and suggested that the statement be date stamped when received by the Bankcard Holder. This is not a requirement.

ACTION TO BE TAKEN: AOS will send out a memo with this suggestion.

4.2 CROSS CUTTING ISSUES

GENERAL RESPONSE TO CROSS CUTTING FINDINGS: We note that much of the ORD guidance for file documentation and Decision Memorandum content came into being after the award of the actions reviewed. For example, most of the actions reviewed were awarded before the issuance of the July, 1994, version of Chapter 12 of the ORD Policy and Procedures Manual. We also note that a number of the items discussed above under "decision memos..." are still not covered by the 1995 version of Chapter 4 of that Manual (e.g., there is no guidance regarding discussion of substantial involvement, competition and travel). In any event, please be assured that we plan to improve the quality of our documentation and files as recommended and we propose the following actions in response to the recommendations:

RECOMMENDATIONS

4.2.1 RESPONSE: The Review Team recommended that we ensure all open extramural files reflect all required approvals.

ACTION TAKEN: We are instituting a program to review all of our active extramural files and we will obtain any missing documents as time permits.

4.2.2 RESPONSE: The Review Team recommended that we ensure approvals are obtained and documentation is retained for all future actions...all files are well organized and include evidence of monitoring.

ACTION TAKEN: We are preparing file checklists for various types of actions (competitive and non-competitive cooperative agreements, reimbursement and disbursement IAG's) and, after coordinating with NRMRL, we will distribute these and provide assistance to the APPCD Project Officers in utilizing them. We believe that this, along with a diligent review and documentation of the approval process for future actions, will solve much of this perceived problem.

4.2.3 RESPONSE: The Review Team recommended that we strengthen decision memos.

ACTION TAKEN: In March of 1996, we issued guidance and a standard format (see Attachment 4) for decision memos for both cooperative agreements and IAGs based on the requirements of Chapter 4 of the ORD Policy and Procedures Manual and the text for the ORD Project Officer's Assistance Course. We believe that this, along with a diligent review and documentation of the approval process will adequately deal with this issue.

4.2.4 RESPONSE: The Review Team recommended that we ensure future coops and IAGs require detailed financial reporting.

ACTION TAKEN: In the past, the financial reporting requirements have been specified by GAD. However, in December of 1996, we issued guidance regarding terms and conditions for cooperative agreements, including examples of financial and technical status report requirements (see Attachment 5). In addition, we will attempt, during the above mentioned file reviews, to

identify needs and to initiate amendments where appropriate to obtain more detailed financial reporting, within the limits set by 40 CFR 31.40, 40 CFR 160, and OMB Circular A-110 Part 50.

4.3 COOPERATIVE AGREEMENTS

FINDING: Scope Modified without GAD Approval

RESPONSE A: On CR822870, the APPCD Project Officer had been discussing this situation and an amendment to the SOW with the Grants Specialist since the summer of 1996 in conjunction with and while attempting to resolve the controversy between RTI, the University of Illinois, and PETL. That situation has now been resolved.

ACTION TO BE TAKEN: An amendment to the SOW was requested in November of 1996. While we have verbally followed up with GAD on that action, the amendment has never been issued. We will followup in writing and continue to pursue the matter until they act.

RESPONSE B: NCERQA effort under CR824152 was completed and we do not intend to allow any further funding or effort from them under this cooperative agreement.

ACTION TO BE TAKEN: We will monitor this agreement to ensure no future changes take place without GAD participation.

RESPONSE C: Under CR824308 with the University of California, we concur that such an amendment is needed but we believe that the 95/96 time frame would have been premature. In view of the dwindling resources, we believe our Project Officer was following a good management practice in asking the cooperator to limit their efforts to the completion of one task thus allowing time for EPA and the cooperator to seek additional funding sources for the other tasks.

ACTION TO BE TAKEN: We will ensure that an amendment is secured.

FINDING: Improper use of Assistance for Direct Benefit

RESPONSE: We concur that there is an appearance of such a situation in some documents in some files (examples were furnished in 4 of the 17 files reviewed) but we believe this is primarily due to a lack of sensitivity to appearance regarding this issue by our personnel at that time (1991 to 1995). The Assistance Project Officers training course which stresses this issue did not begin until April of 1996. We would also like to point out that one of those four examples cited mentions quotes from the cooperator, not an APPCD employee. In another example cited, the quote is from a peer reviewer who seems to have been under a mistaken impression that the research supported would have some effect on the regulatory phase out of a chemical by OAR. In reality, the chemical phase out had been determined much earlier by the Montreal Protocol. The research supported by this agreement is simply to develop more economical, environmentally friendly alternate refrigerants than those currently available to industry and users and to the best of our knowledge this effort does not directly benefit EPA.

NO ACTION NECESSARY

RECOMMENDATIONS:

4.3.1 RESPONSE: The Review Team recommended that we ensure all P.O.s understand what changes require formal amendments.

ACTION TO BE TAKEN: We will issue written guidelines to be sure Project Officers understand what constitutes a change. This guidance will be based on the Assistance Administration Manual.

4.3.2 RESPONSE: The Review Team recommended that we ensure all assistance agreements are not being utilized to acquire direct agency support.

ACTION TO BE TAKEN: We believe that on the whole our assistance agreements have been properly chosen; however, we will institute a review of all active Coop's for this purpose.

4.3.3 RESPONSE: The Review Team recommended that we evaluate the practice of calling for post-award work plans...develop and implement management controls to scrutinize new research projects.

ACTION TO BE TAKEN: We have done so and will limit this practice to only large and complex projects where it is appropriate to secure work plans for peer review of the specific details of test protocols, statistical approaches, and similar efforts.

4.3.4 RESPONSE: The Review Team recommended that we examine all active competitive coop files to determine whether comprehensive summaries of the competition exists that were not included in the P.O. files... If so add to the file...If not, create such summaries and add to the file.

ACTION TO BE TAKEN: In conjunction with the file reviews mentioned in response to 4.2.1 and 4.3.3, we will review and document as time permits.

4.3.5 RESPONSE: The Review Team recommended that we ensure all future awards are more thoroughly documented relative to competition.

ACTION TO BE TAKEN: Through the checklists discussed earlier and through our file reviews and approval process, we will ensure future awards are more thoroughly documented with respect to the competitive process followed. (also see 4.3.6).

4.3.6 RESPONSE: The Review Team recommended that we assess APPCD peer review process and that if post award work plans are continued, we should ensure they are peer reviewed.

ACTION TO BE TAKEN: We have done so and, as a result, we propose to begin using paid peer reviewers so that we can better control their schedule and output. Our purchase orders will specifically require detailed narrative to support numerical scores on the issue of post-award work

plans, see 4.3.3 above.

4.4 INTERAGENCY AGREEMENTS:

RECOMMENDATIONS:

4.4.1 RESPONSE: The Review Team recommended that we ensure IAG statements of work are clear and comprehensive.

ACTION TO BE TAKEN: We will communicate these requirements to our staff and enforce them through our review and approval process.

4.4.2 RESPONSE: The Review Team recommended that we ensure compliance with requirements to develop an independent government cost estimate.

ACTION TO BE TAKEN: We will communicate these requirements to our staff and enforce them through our review and approval process.

4.5 CONTRACTS:

RECOMMENDATIONS:

4.5.1 RESPONSE: The Review Team recommended that we determine the effectiveness of new WAM support and address vulnerabilities.

ACTION TO BE TAKEN: We will do so by periodically discussing this with the APPCD Project Officers of our level-of-effort, work assignment contracts.

4.5.2 RESPONSE: The Review Team recommended that we ensure WAMs understand the requirement to give copies of technical directions to the Project and Contracting Officers.

ACTION TAKEN: We have done so by written communications to our staff (see Attachment 6) and will check compliance by periodically consulting with the applicable Project Officers.

4.5.3 RESPONSE: The Review Team recommended that we ensure deliverables are recorded, tracked and documented.

ACTION TO BE TAKEN: We will do so by distribution of the file checklist discussed earlier and by random review of files to ensure compliance.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
AIR POLLUTION PREVENTION AND CONTROL DIVISION
RESEARCH TRIANGLE PARK, NC 27711

APR 25 1997

MEMORANDUM

OFFICE OF
RESEARCH AND DEVELOPMENT

SUBJECT: Travel Procedure

FROM: Deanie Gagnon
Chief, AOS

TO: Frank Princiotta
Branch Chiefs

This is to request that all signatures, on both the travel authorization and the travel vouchers, be dated (even though this is not required on the TA). Also, please remind travelers that vouchers must be submitted within seven days after returning from the trip.

If you have any questions please let me know.

cc: Kathrine Morgan
Blair Martin



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
AIR POLLUTION PREVENTION AND CONTROL DIVISION
RESEARCH TRIANGLE PARK, NC 27711

APR 25 1997

OFFICE OF
RESEARCH AND DEVELOPMENT

SUBJECT: Timekeeping

FROM: Brenda Massengill
Designated Agent

A handwritten signature in cursive script, appearing to read "Brenda", written over the printed name.

TO: APPCD Branch Chiefs

During the NRMRL Management Review last October, APPCD's timekeeping process was reviewed to determine if Agency procedures are being appropriately and effectively implemented. I would like to take this opportunity to address some key points to ensure that we continue to follow established guidelines.

Please hand deliver all timecards to me in a sealed envelope. This includes retro cards. I realize that there are rare instances when you must have someone else hand deliver them to me, but they **MUST** be in a sealed envelope. If you need me to provide a copy of the signed timecards to your timekeeper, please let me know.

Some of you have been submitting the timecards as early as Wednesday morning. I realize this may be necessary on occasion due to travel, compressed day off, or scheduled leave. However, the need for many last minute changes and retro cards will be eliminated if you submit them closer to the deadline. Timecards are due to me by 9:00 a.m. on Friday unless I have notified you and the timekeeper that an early submission is required. In those instances, I will let you and the timekeeper know in advance when they must be submitted.

Thank you for making the timecard process an easy one for me. All of our timekeepers are aware of the Agency policies and procedures on timekeeping and they do their job very well. We rarely have corrections or problems with the timecards as submitted.

Please call me if you have any questions.

cc: Frank Princiotta
Deanie Gagnon
Blair Martin
APPCD Timekeepers

EXHIBIT 2

Attachment 3

From: ALAN RITTER
To: RTPMAINHUB.INTERNET.MORGAN-KATHRINE
Date: 4/14/97 7:20am
Subject: BANKCARD APPROVALS

1. While the procedures (dated 1993, updated via announcements 1993-97) do state the Approving Official must approve all purchases, these approvals are not req'd on an individual items basis if the cardholder and the Approving Official have an agreed to list of approved purchases and the cardholder only buys things from the list. (IF PURCHASES ARE REQUIRED THAT ARE NOT ON THE APPROVED LIST, THEN THE A.O. WOULD BE PROPER TO REQUIRE UP-FRONT APPROVALS FOR THIS NON-STANDARD ITEMS.)

Many times things like buying office supplies are inherent in own's job description, so buying office supplies does not require individual approvals unless the A.O. so imposes this requirement. Otherwise, one signature on the log is sufficient.

→ AT THE END OF THE CYCLE, 17TH OF THE MONTH

2. A brief description on the items purchased has always been required on the statement of account before it is sent to the Cinc. Fin. Mgt. Office. THERE HAS NOT BEEN ANY RELEASE OF THIS REQUIREMENT AND SUCH HAS NEVER BEEN STATED IN MY TRAINING.

3. Power Hand Tools (prior schedule number 51 VI) is indeed non-mandatory, and has been since early 1995.

If you/others still have questions, please call/write/email/fax me your inquiries.

EXHIBIT 2



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
 NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
 AIR POLLUTION PREVENTION AND CONTROL DIVISION
 RESEARCH TRIANGLE PARK, NC 27711

OFFICE OF
 RESEARCH AND DEVELOPMENT

Date: March 29, 1996

SUBJECT: Decision Memoranda for Interagency Agreements

FROM: Mal Honeycutt, Extramural Specialist

TO: All APPCD Project Officers

ORD has developed a standard format for Decision Memo's for Interagency Agreements. This standard format is attached for your information. A similar one for Cooperative Agreements undoubtedly soon will be issued but hasn't as of this date. Please note that earlier this year, we were instructed to use a standard heading for all Decision Memo's as follows:

"Date:

Subject: Proposed (Disbursement) (Reimbursement)
 Interagency Agreement between EPA and

From: Frank T. Princiotta (MD-60)
 Recommending Official, APPCD

To: E. Timothy Oppelt (MD-235)
 Decision Official, NRMRL"

Please note that we need to show Frank Princiotta as the Recommending Official and Tim Oppelt as the Decision Official on these documents as well as on Decision Memo's for Cooperative Agreements, and on Funding Orders. On future actions, please do not show Branch Chiefs as the Recommending Official nor Frank as the Decision Official. Frank can sign for Tim on some actions and Branch Chiefs for Frank, but even in these cases, (mostly incremental funding actions) we should show Frank as Recommending Official and Tim as Decision Official. Neither Millie Lee nor Scott McMoran should be shown on a Decision Memo. Normally a transmittal memo will not be required.

I'm sorry about all the changes and all the confusion and I apologize for any part of it I've contributed to so far. It does seem to me though that things are settling down both in Contracts and Grants. But who knows, maybe it's just that we're in the lull before the storm. Call me on Ext. 2903 if I can help.

CONTENTS OF DECISION MEMORANDA FOR IAGS

- A. Background/Objectives
1. Provide sufficient detail for Decision official to understand the proposed action.
 2. Identify duration and overall budget, including out years.
 3. Cite authority and explain why applicable.
 4. Certify proposed IAG is consistent with EPA Program For Office's mission.
- B. Justification
1. For Economy Act:
 - a. Explain servicing Agency's unique expertise.
 - b. Include statement that services cannot be obtained as cheaply/conveniently thru commercial sources. Summarize alternatives other than IAG that were considered.
 2. For Statutory Authority, describe briefly each Agency's role/responsibility.
 3. For both, discuss budget detail and include discussion on reasonableness. Cite source of funding and if incrementally funded, when funds are anticipated to be added to the IAG.
- C. Relationship of Project to Program Mission
1. Self-explanatory
- D. Specific Program I.D.
1. Relate to program/project planning system as captured in OMIS.
- E. Planned Project Outputs
1. Could be reports, publications, etc.
- F. Explanation of any apparent duplicative or excessive effort
1. Provide statement plus how you arrived at that conclusion.
- G. Quality Assurance
1. Discuss applicability of QA/QC to project.
 2. Note review by QA Officer, if applicable.
- H. Optional
1. Summary of peer reviews and reconciliation of contrary reviews--if required.
 2. Justification for on-site performance at EPA facility--SRO approval required per




UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
AIR POLLUTION PREVENTION AND CONTROL DIVISION
RESEARCH TRIANGLE PARK, NC 27711

December 26, 1996

MEMORANDUM:

OFFICE OF
RESEARCH AND DEVELOPMENT

SUBJECT: Terms and Conditions for Cooperative Agreements

FROM: Mal Huneycutt 
Extramural Management Specialist

TO: All APPCD Project Officers

During our recent management review, there appeared to be some confusion on what we should include as "special terms and conditions" in cooperative agreements. I promised myself that when things slowed down a little, I would check this subject out and try to clarify it for those who might be writing new cooperative agreements. I have found that what Grants refers to as "special terms and conditions" fall into two categories.

First there are the administrative type terms found in Title 40, Code of Federal Regulations, Part 40. These deal with such matters as the method of payment, procedures for refunds, limits on rates paid to consultants, requirements for using recycled paper, goals for subcontracting minimum percentages to small disadvantaged businesses, the Fly America Act requirements, the Government Printing Office regulations, reporting on any lobbying of congress, drug free workplace activities, etc. We don't need to request that Grants include these terms in our cooperative agreements nor can we change these requirements in any way since they are required by law or regulation. Grants should include the latest version of all applicable administrative terms in all cooperative agreements.

Second, there are the technical type terms such as quality assurance, requirements for consulting with the EPA Project Officer at key points in performance, the need for peer reviews, etc. Some of these technical terms are ORD mandated requirements and others are just common sense. The largest category of technical terms involves reporting, such as research plans, progress reports, financial status reports, invention reports, equipment reports, final reports, etc. I was once told by Grants that they automatically include standard reporting requirements in all cooperative agreements. It turns out they have NOT always done this. Even when they did, their standard progress reports were on a quarterly basis since this is the shortest interval for

TERMS AND CONDITIONS

COOPERATIVE AGREEMENT No. CR-----

1. REPORTING REQUIREMENTS - The recipient will prepare and submit the reports described herein. (Five) copies of each report will be submitted to the designated EPA Project Officer and one copy to the Grants Specialist.

(a) Research Plan - A plan for conducting the research will be submitted to the EPA Project Officer within 30 days after the date of this cooperative agreement. The plan must be consistent with the application and must be mutually acceptable to the parties before the research begins under the project. The plan will show individual tasks and the relationship between the tasks as well as the personnel assigned, budget and schedule for each task.

The recipient will prepare revisions to the research plan when the requirements are changed by amendment to the agreement or when requested by either the principal investigator or project officer. The recipient may submit recommended revisions to the plan if the recipient believes such revisions are desirable for achievement of project objectives. All revisions to the plan must be concurred with by the EPA Project Officer before the revised effort begins. One copy of each revision to the plan will be provided to the Grants Specialist.

(b) Quality Assurance Plan - A Quality Assurance Plan, consistent with the application and other terms of this agreement will be prepared by the recipient and submitted to the EPA Project Officer no later than 30 days before any data collection activities are scheduled to begin. A copy will be provided to the Grants Specialist. The level of detail in the QA Plan depends on the QA category that was assigned to the project by the EPA Project Officer, and the QA Category is dependent on the anticipated end use of the data:

- o Category I - Regulatory, enforcement, legal or major policy matters
- o Category II - Establishment of rules, regulations or policies
- o Category III - Evaluation of control technologies
- o Category IV - Feasibility studies or fundamental investigations

Environmental Protection Agency is required. In addition:

- i. An annual invention statement is required with each continuation application;
- ii. A final invention report is required within 90 days after completion of the project period; and
- iii. When a Principal Investigator changes institutions or ceases to direct a project, an invention statement must be promptly submitted with a listing of all inventions during his administration of the agreement.

(e) Equipment Report - At the completion or termination of a project, the recipient will prepare and submit to the EPA Project Officer, a listing of all items of equipment acquired with EPA funding with an acquisition cost of \$1,000 or more and having a useful life of more than one year.

(f) Final Report - The recipient will prepare and submit to the EPA Project Officer, a draft of the final report for review no later than 90 days prior to the end of the approved project period. The report will document project activities over the entire period of the agreement and shall describe the recipient's achievements with respect to the stated project purposes and objectives. The report will set forth in complete detail, all technical aspects of the project, both negative and positive, recipient's findings, conclusions, and results, and including, as applicable, an evaluation of the technical effectiveness and economic feasibility of the methods or techniques investigated.

The final report will include EPA comments when provided by the Project Officer. Prior the end of the project period, one hard copy reproducible master, suitable for printing, and one copy on disc, (other copies may also be stipulated in the agreement) will be provided to the Project Officer. One copy shall be provided to the Grants Specialist. The disc supplied by the recipient shall be produced with an Microsoft Disk Operating System (MS-DOS) or a Personal Computer Disk Operating System (PC-DOS), version 2.0 or higher. Files must be in ASCII (American Standard Code for Information Interchange). The disks must be 5 1/4 inch double-sided/double-density disks and they must include both the final report and the project summary.

2. REPORT FORMATS - All documents produced for publication under this agreement shall be in accordance with the requirements set forth in 40 CFR 40.160-5 and the "Handbook for Preparing Office of Research and Development Reports" dated 8/95 or such later version in effect at the time of report preparation.

b. Organization Chart: Identify project and QA personnel, titles and areas of responsibility for performance of work. (It is highly desirable that the QA function be independent of project groups that generate data.)

c. QA Personnel Authority and Responsibilities: Describe the authority and responsibility of QA personnel who will implement the organization's Quality Assurance Plan. Also describe procedures for assuring that necessary corrective actions are implemented.

d. QA Experience: Identify types and degrees of experience in developing and applying QA procedures to data generating activities proposed for the cooperative agreement.

e. QA Personnel Experience: Describe background and experience of the proposed personnel relevant to the accomplishment of the proposed QA Program.

5. FEDERAL INVOLVEMENT - This assistance agreement has been classified as a cooperative agreement, indicating there will be substantial federal involvement. EPA's substantial involvement will include (a) *providing technical and quality assurance review*; (b) *providing information from earlier studies of a similar nature*; (c) *facilitating communications between research cooperators, federal state and local agencies interested in the results of this project*; (d)...

6. KEY PERSONNEL - The recipient's key personnel who will participate in the research under this cooperative agreement are:

(include individuals who will charge 20% or more of their time to the agreement).

7. MEETINGS - Occasional meetings will be held at times and sites mutually agreed to by the parties for the purpose of review of research accomplished, interpretation of results, planning for future research, .. and whenever deemed appropriate by either party to this agreement.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
AIR POLLUTION PREVENTION AND CONTROL DIVISION
RESEARCH TRIANGLE PARK, NC 27711

APR 24 1997

OFFICE OF
RESEARCH AND DEVELOPMENT

MEMORANDUM:

SUBJECT: Technical Direction On the Acurex Contract
FROM: *Frank T. Princiotta*
Frank T. Princiotta, Director (MD-60)
TO: All Work Assignment Managers

Based on information from the Management Review, I am very concerned that Work Assignment Managers are not providing the Project Officer, Judy Cook, and the Contracting Officer with copies of technical direction that is issued to Acurex. Please understand that the issue is not whether or not the P.O. and the C.O. will understand what is contained in the technical direction, but rather the issue is that we are not adhering to a specific requirement included in the contract - a requirement which is intended to ensure that the P.O. and the C.O. have a complete file on each Work Assignment. In Section H.15(e) the contract states that "Technical direction will be issued in writing or confirmed in writing within five calendar days after verbal issuance. One copy of the technical direction memorandum will be forwarded to the Contracting Officer and the Project Officer."

In the future, please ensure that a copy of all technical direction is sent to the Project Officer and the Contracting Officer for 68D40005. Thank you for your cooperation.

cc: Blair Martin
Deanie Gagnon
Branch Chiefs



EXHIBIT 3-1

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
NATIONAL RISK MANAGEMENT RESEARCH LABORATORY
CINCINNATI, OH 45268

June 6, 1997

OFFICE OF
RESEARCH AND DEVELOPMENT

MEMORANDUM

SUBJECT: Evaluation of APPCD's Response to Financial Management Review, Section 3 of the Draft ORD Management Review Report (March 1997)

FROM: Sandy Croley, Overall Team Leader
APPCD Management Review Team

A handwritten signature in cursive script, reading "Sandy Croley", is written over the printed name in the "FROM:" field.

TO: Draft Report

After careful review of APPCD's response to the Management Review Draft Report, the Review Team for the Financial Management portion of the review have the following comments.

Overall, APPCD's response was acceptable and the action indicated appropriate. There are two exceptions the Review Team Members would like to address.

3.3.3 Travel Recommendations

APPCD Response to #3. "To authorize use of POV as the primary mode of transportation does require a special justification that proves it is more advantageous to the government. However, there is an exception. According to Federal Travel Regulation 41 CFR Part 301-4.2, a special justification is not required for round-trip by POV in lieu of taxi between common carrier terminal and office or residence. Our local travel office and travel training we have received, support this position. We were instructed that the "X" on the POV line in block #11 is sufficient without providing a justification in the Remarks block. We verified this with GSA."

The Management Review Team has the following comment. While the Federal Travel Regulations quoted above are true, EPA Travel Regulations (RMD 2550B Exhibit 3-3, and RMD Chapter 4, para 5.h) states that authorization of POV and rental car must be in the Remarks block of the TA - not just in the funding blocks. Furthermore, EPA Travel regulations always take precedence over any Federal policies imposed. EPA Travel Regulations are derived directly from the Federal Travel Regulations with additional EPA imposed rules. What GSA requires has no bearing on what EPA requires. *(Note: The Management Review Team Members are concerned with the different guidance being disseminate from the various Travel offices (Finance). We would like to recommend this*

issue be address by ORD Senior Management in coordination with Senior Management in OARM. The different guidance and/or rules being followed continues to be an issue with ORD Laboratories that have several Servicing Finance Offices.) , ,

Section 3.5.1.2 Bankcard Procurement Request. APPCD's response was as follows:

"Based on required training for Bankcard holders and approving officials, it is not required to acquire signatures by the Approving Officials for each individual item on the log sheet or on a Procurement Request (EPA 1900-8). Signature on the log sheet at the end of the cycle is sufficient. AOS confirmed this with Alan Ritter, the Bankcard Programer Trainer. NO ACTION NECESSARY".

Alan Ritter states (LAN message to Katherine Morgan 4-14-97), "...While the procedures (dated 1993, updated via announcements 1993-97) do state the Approving Official must approve all purchases, these approvals are not req'd on an individual item basis if the cardholder and the Approving Official have agreed to a list of approved purchases and the cardholder only buys things from the list. (IF PURCHASES ARE REQUIRED THAT ARE NOT ON THE APPROVED LIST, THEN THE A.O. WOULD BE PROPER TO REQUIRE UP-FRONT APPROVALS FOR THESE NON-STANDARD ITEMS)". Alan goes on to state, "Many times things like buying office supplies are inherent in one's own job description, so buying office supplies does not require individual approvals unless the A.O. so imposes this requirement. Otherwise, one signature at the end of the cycle, 17th of the month on the log is sufficient".

The Review Team Members take exception to this statement. This is a direct contradiction to what is stated in the materials supplied to review team members. (Management Review Guidelines and Revised EPA Guidelines For Use Of Government Bankcards (August, 1996). Of major importance is the issue that APPCD did not obtain any approvals for bankcard purchases except for ADP.

Information given to the reviewers during the interview was that the Bankcard Holder and Approving Official did not have knowledge of obtaining approvals before purchases were made (except ADP). If Alan Ritter is correct about a LIST, this was never supplied or mentioned to the reviewers by the Bankcard Holders or Approving Officials when questions were raised to them about prior approvals.

At a minimum, the list should be attached to the logsheet to verify that the purchases were on a pre-approved list. Otherwise, one would conclude these purchases were unauthorized. The list would also have to be very explicit as to total number of allowable items to be purchased. *(Note: This is an ongoing concern within ORD. The team members have researched the issue and have found that new Guidelines for Use of Government Bankcards is currently being revised. However, the new Bankcard policies and procedures still DO NOT reflect how the Management Review Guidelines are written.)*



EXHIBIT 3-2

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF RESEARCH AND DEVELOPMENT
NATIONAL EXPOSURE RESEARCH LABORATORY
CINCINNATI, OH 45268

MEMORANDUM

DATE: July 2, 1997

SUBJECT: Evaluation of APPCD's Response to the to Section 4 of the Draft ORD
Management Review Report (March 1997)

FROM: Walter R. Stutts, Extramural Team Leader
APPCD Management Review Team

A handwritten signature in dark ink, likely belonging to Walter R. Stutts, is written over the printed name.

TO: Sandy Croley, Overall Team Leader
APPCD Management Review Team

The extramural review team evaluated the APPCD response to the extramural portion (Section 4) of the draft management review report. The consensus of the extramural review team relative to the Division's response is set forth below:

OVERALL RESPONSE:

Generally, there is a lack of a plan to document the process and report the results to NRMRL management. There is little indication of who will do what and when they will do it. As a result, accountability is vague except that the Division Director will see that the effort is completed. A better response would have included an action plan describing exactly what would be done, who has the lead, and when the effort will be completed so that NRMRL management can effectively track the progress. Responses to most IG reports provide a template for such action plans. (See for example the Action Plan included in the IG Report No. E6ABG5-04-0110-6400045 entitled "Special Review - Allegations of Improper Use of EPA Facilities at the Gulf Ecology Division, National Health and Environmental Effects Laboratory".)

RESPONSE TO INDIVIDUAL FINDINGS AND RECOMMENDATIONS:

4.2.1

The details of the program are sketchy relative to how the effort will be undertaken and how the results will be documented. The use of the term "as time permits" may not result in any firm action. The team recommends that the Division make a firm time commitment for a defined action plan.

4.2.2

The team does not believe that checklists alone will guarantee adequate monitoring, though they should facilitate the process. The team notes that the Division's response is unclear as to

how assistance is to be provided to POs on the use of the checklists; i.e., who will provide, how, and when? "Diligent review" is nebulous--what steps are being taken to strengthen the current review process?

4.2.3

The review team considers this response to be a good step, but the Division should explain how they intend to document this action and the Division should make a firm time commitment for the review. The team also recommends that the Division revisit the March 1996 guidance in light of new guidelines issued by GAD in September 1996. Again, the team considers the term "diligent review" to be nebulous.

4.2.4

The team does not consider the phrases "we will attempt" and "where appropriate" to be firm commitments. Whose judgement determines "where appropriate" if no standard is set? The Division should establish a specific date for the completion of this review and update.

4.2.5

There was no Division response to this recommendation. The response to 4.2.4 may have been intended to respond to 4.2.5 at the same time. If so, the response did not fully address the recommendations in 4.2.5. For example, does the Division plan to reemphasize the financial responsibilities of POs under assistance agreements and if so, how?

4.3 FINDINGS--Scopes Modified Without GAD Approval:

CR822870

The response is unclear as to what was amended. The draft report cites a number of shortcomings relative to this CA. Did the amendment require sole-source processing? The team recommends the Division provide more detailed information to enable NRMRL management to assess the adequacy of the actions taken. Furthermore, if the amendment has not yet been issued, the team recommends the Division elevate the issue to ORMA and/or to the appropriate Branch Chief in GAD for assistance.

CR824308

The team questions the validity of the Division claiming that the PO was "following a good management practice in asking the cooperator to limit their efforts to the completion of one task thus allowing time for EPA and the cooperator to seek additional funding sources for the other tasks." This is a cooperative agreement, not a contract. The cooperator is not doing the work for us. The PO should not be "managing" the effort; rather he should be "monitoring" it. This illustrates the problem with these large, generally defined coops having the appearance of being used to provide direct support to the Agency. If the scope needed to be decreased, it would be up to the recipient to propose how to do that. Why would EPA be seeking additional funding sources for the other tasks? Again, it looks like direct support.

4.3 FINDINGS--Improper Use of Assistance for Direct Support

The response appears to attempt to downplay the significance of the finding. The concern regarding direct support is still an issue under CR824152, and CR824257 listed 8 examples with only three of them occurring during the period that personnel were "insensitive to the appearance." The significance of the Division's statement that one of the examples quotes the cooperator instead of an EPA employee is unclear. If the cooperator believes the work is at the direction of and for the direct benefit of the Agency, then it would appear to support the conclusion that the work performed was improper for the type of instrument. While the team will not dispute the Division's response relative to the Texas A&M CA, the other findings certainly lead to a firm conclusion that the work performed was for EPA's direct benefit.

4.3.1

The response fails to address the role of the EMS. Will written guidance suffice, or is some remedial training in order?

4.3.2

The team notes that there is little detail provided. How will the review be conducted, when, and by whom? How will the results of the review be documented? The team does not believe that the second part of the recommendation was addressed; i.e., how does the Division plan to make the staff aware of the issue? In addition, the team recommends that the section entitled ACTION TO BE TAKEN be expanded to include an increased emphasis on the discussion of principal purpose in Decision Memoranda in the future so as to fully establish the support and stimulation aspect of the proposed assistance agreement.

4.3.3

The team feels the Division's response missed the point. The examples that the team cited in the draft report were not "large and complex projects" per se; rather they were generally defined areas for research cooperation which were definitized after funding became available and a particular need was identified by the Agency. Furthermore, the response would appear to contradict NRMRL's recently issued Guidelines for Extramural Agreements which identified broadly worded cooperative agreements that call for post-award work plans as a vulnerability and which calls for assistance proposals with "a clearly defined scope and objectives". Finally, the response is limited to new awards and fails to address the initiation of tasks under existing open-ended agreements. The team recommends the involvement of the EMS in the review of these "new starts" (including the review of any work plans) to ensure that the past abuses are not repeated.

4.3.4

Again, this response lacks detail as to who is going to do this review, in what manner, and during what time frame. The use of the phrase "as time permits" may not result in any firm action.

The team believes that the use of checklists alone will not likely resolve the issue and recommends that some guidelines and perhaps training are needed to set the standard for documentation of competition. The team provided some specific recommendations, but it is unclear whether the Division considered those recommendations.

4.3.6

The team recommends that the Division apprise NRMRL management of how they proceeded and how they documented the results. Furthermore, the Division needs to address the peer review of work plans generated after award.

4.4.1

It is unclear how the Division plans to communicate the requirements to the staff. More detail on the "review and approval" process would help solidify the Division's oversight plan.

4.4.2

The review team had the same reaction as outlined in 4.4.1. In addition, the team found during the interview process that many of the POs said that they didn't know how to do IGCEs and that is why they didn't do them. Accordingly the team recommends the ACTION TO BE TAKEN be expanded to include training on IGCEs for POs.

4.5.1

The response is unclear as to what mechanism will be used on a periodic basis. Will this be done monthly, yearly, or on some other periodic basis?

4.5.2

The Division failed to address the other part of the recommendation relative to clarifying the difference between TD and TC.

4.5.3

It is unclear as to who will have responsibility for conducting the random reviews. The team recommends that the Division consider involving the Technical Information Manager in recording, tracking and documenting deliverables.

We hope these observations are useful to you and your management. If you have any questions, please give me a call. I have asked the other extramural team members to forward their notes and papers to me so that I can consolidate them prior to providing them to you for your archives. Once that task is completed, we consider our participation in the APPCD review to have been fulfilled.

AIR POLLUTION PREVENTION AND CONTROL DIVISION**EPA EMPLOYEES**

Frank Princiotta, Director
Kit Chappell, Secretary
Blair Martin
Ann Barbee, Secretary
Mal Huneycutt
Mike Maxwell
Pat Sharpe

ADMINISTRATIVE OPERATIONS STAFF

Deanie Gagnon, Chief
[Vacant, Secretary]

Judy Cook
Larry Farmer
Joyce Fowler

Brenda Massengill
Kathrine Morgan
Bill Whelan

**EMISSIONS CHARACTERIZATION
AND PREVENTION BRANCH**

Larry Jones, Chief
[Vacant, Secretary]

Chuck Darvin
Chris Geron
Bruce Harris
Julian Jones
Sue Kimbrough
Foy King, Jr.
Mike Kosusko
Chuck Mann

Chuck Masser
Bob McCrillis
Carlos Nunez
Geddes Ramsey
Ted Ripberger
Niranjan Vescio
Chet Vogel
Kaye Whitfield

AIR POLLUTION TECHNOLOGY BRANCH

Bob Hall, Chief
Jean Gunn, Secretary

Brian Gullett
Norm Kaplan
Jim Kilgroe
Dave Lachapelle
C. W. Lee
Paul Lemieux
Bill Linak

Andy Miller
Dick Ogan
Sam Rakes
Charlie Sedman
Richard Valentine
Jack Wasser

TECHNICAL SERVICES BRANCH

Wade Ponder, Chief
[Vacant, Secretary]

Nancy Adams
Charlotte Bercegeay
Judy Ford
Wayne Fowler
Jim Montgomery

Lynn Pendertraft
Jeff Ryan
Richard Shores
Shirley Wasson
Vacant (ADP)

ATMOSPHERIC PROTECTION BRANCH

Bill Rhodes, Chief
[Vacant, Secretary]

Evelyn Baskin
Lee Beck
Bob Borgwardt
Ted Bma
Cynthia Gage
Bob Hendriks

Jim Jetter
Dave Kirchgessner
Carol Purvis
Dean Smith
Ron Spiegel
Susan Thorneloe

**INDOOR ENVIRONMENT
MANAGEMENT BRANCH**

Mike Osborne, Chief
Gerri Collins-Lynch, Secretary

John Chang
Bruce Henschel
Betsy Howard
Russ Kulp
Kelly Leovic
Mark Mason
Marc Menetrez

Ron Mosley
Richard Perry
David Sanchez
Les Sparks
Ray Steiber
Gene Tucker
James White

**AIR POLLUTION PREVENTION & CONTROL DIVISION
MANAGEMENT REVIEW TEAM
OCTOBER 20 - 25, 1996**

**Sandy Croley
Team Leader
NRMRL**

Cincinnati, OH

**William Bailey
OARM**

Cincinnati, OH

**Susan Campbell
NRMRL**

Cincinnati, OH

**John Cline
NERL**

RTP, NC

**Larry Hodgson
NHEERL**

Gulf Breeze, FL

**Linda Iori
NRMRL**

Cincinnati, OH

**Stephen Kovash
NRMRL**

Ada, OK

**Sue McKenzie
NRMRL**

Cincinnati, OH

**CarolAnn Sakiewicz
NHEERL**

Narragansett, RI

**Linda Schwaergerle
NCEA**

Cincinnati, OH

**Walt Stutts
OARM/NERL**

Cincinnati, OH

LIST OF INDIVIDUALS WITH DELEGATED AUTHORITY

1. Signing extramural resource documents

a. Contract incremental funding

Originator
Branch Chiefs
Project Officer
Funds Certifying Official

b. Small Purchases (with extramural dollars <\$50.0K)

Originator
Branch Chiefs
Funds Certifying Official

c. Assistance agreements

Originator
Branch Chiefs
Division Director
Funds Certifying Official
Lab Director

2. Funds Certification

Kathrine Morgan, FCO
Joyce Fowler, Alternate FCO

3. Reprogrammings

Originator (Brenda Massengill)
AOS (Alice C. Gagnon)
Deputy Lab Director

4. Bankcard

a. Bankcard Program Coordinator

Kathrine Morgan

b. Bankcard Holders/Approving Officials

Bankcard Holder	Approving Official	Branch
Ann Barbee	G. Blair Martin	IOD
Kathleen Chappell	G. Blair Martin	IOD
Brenda Massengill	Alice Gagnon	AOS
William Whelan	Alice Gagnon	AOS
Robert Borgwardt	William Rhodes	APB
Cynthia Gage	William Rhodes	APB
Paul Lemieux	Robert Hall	APTB
Richard Valentine	Robert Hall	APTB
D. Bruce Harris	Larry Jones	ECPB
Charles Mann	Larry Jones	ECPB
Geddes Ramsey	Larry Jones	ECPB
Geraldine Collins-Lynch	Michael Osborne	IEMB
Marc Menetrez	Michael Osborne	IEMB
Leslie Sparks	Michael Osborne	IEMB
James Montgomery*	Wade Ponder	TSB
Lynn Pendergraft	Wade Ponder	TSB
Jeff Ryan	Wade Ponder	TSB

*\$20,000

5. Small Purchases (with expense dollars)

Originator
Branch Chiefs
Funds Certifying Official

6. Travel Authorization

Branch Chiefs for staff as Recommending Officer
Division Director for Branch Chiefs as Recommending Officer
Laboratory Director for Division Director as Recommending Officer
Chief, Administrative Operations Staff as Authorization Officer

7. Imprest Funds

Not applicable since the Finance Center is located at RTP. The procedure is the same as a small purchase order.

8. Quality Assurance

APPCD's Quality Assurance Officer, Nancy Adams