



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Evaluation Report

Office of Research and Development Needs to Improve Its Method of Measuring Administrative Savings

Report No. 11-P-0333

July 14, 2011

Report Contributors:

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Abbreviations

AEP	Administrative Efficiencies Project
EPA	U.S. Environmental Protection Agency
FTE	Full-time equivalents
FY	Fiscal year
ITIP	Information Technology Improvement Project
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMIS	Office of Research and Development Management Information System
OPM	Office of Personnel Management
ORD	Office of Research and Development
SAB	Science Advisory Board
SEE	Senior Environmental Employees

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At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We conducted this review to determine whether the Office of Research and Development (ORD) manages its indirect and overhead costs appropriately to maximize available funding for research and development activities.

Background

The goals of ORD's Administrative Efficiencies Project (AEP) and the Information Technology Improvement Project (ITIP), which are two separate initiatives, include reducing costs by improving efficiency and effectiveness. In a 2006 draft report, ORD estimated that the AEP would save up to \$13 million in administrative staffing costs annually when fully implemented in 2012, and that the ITIP saved \$2 million in 2007.

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

The full report is at:
www.epa.gov/oig/reports/2011/20110714-11-P-0333.pdf

Office of Research and Development Needs to Improve Its Method of Measuring Administrative Savings

What We Found

ORD's efforts to reduce its administrative costs are noteworthy, but ORD needs to improve its measurement mechanism for assessing the effectiveness of its initiatives to reduce administrative costs. ORD used a detailed methodology for the two surveys it conducted during 2005–2010, which provided a manager's perspective of the amount of time staff spent on administrative duties. However, we identified some concerns with ORD's mechanism for assessing its initiatives. Only two surveys have been completed in 5 years, and these surveys only obtained the manager's perspective on administrative costs and did not obtain data directly from individual employees, including staff whose time was spent on administrative activities. Also, the surveys only considered a select number of ORD staff rather than all ORD staff. Further, ORD used more detailed definitions for administrative functions for the second of the two surveys, which may have impacted the comparability of results between the two surveys.

More frequent collection of data and additional data collected directly from staff related to what they are working on would better measure the effectiveness of ORD's efforts to reduce costs. Also, by reducing the time elapsed between surveys, ORD could identify and address issues that may impact ORD in meeting its goal of reducing administrative costs and, in turn, maximize available funding for research and development activities.

What We Recommend

We recommend that ORD establish a more timely and accurate system to measure its effective use of resources and to allow ORD to better manage its initiatives to reduce administrative costs. ORD generally agreed with our recommendation and is taking action to implement the recommendation. ORD's planned actions and timeline meet the intent of our recommendation.



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

THE INSPECTOR GENERAL

July 14, 2011

MEMORANDUM

SUBJECT: Office of Research and Development Needs to Improve its Method of Measuring Administrative Savings
Report No. 11-P-0333

FROM: Arthur A. Elkins, Jr.
Inspector General

A handwritten signature in black ink, appearing to read "Arthur A. Elkins, Jr.", is written over the typed name.

TO: Paul Anastas
Assistant Administrator for Research and Development

This is our report on the subject evaluation conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated direct labor and travel costs for this report are \$250,290.

Action Required

In accordance with EPA Manual 2750, we are closing this report upon issuance in our tracking system since your response to the draft report provided corrective actions that meet the intent of the draft report's recommendation. In accordance with OIG policy, we will periodically follow up to determine how well the Agency's corrective actions have addressed the report's recommendations. We have no objections to the further release of this report to the public. We will post this report to our website at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Wade Najjum, Assistant Inspector General for Program Evaluation, at (202) 566-0832 or najjum.wade@epa.gov; or Rick Beusse at (919) 541-5747 or beusse.rick@epa.gov.

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Purpose

The purpose of our review was to determine whether the U.S. Environmental Protection Agency's (EPA's) Office of Research and Development (ORD) manages its indirect and overhead costs appropriately to maximize available funding for research and development activities.

Background

ORD's Organizational Structure

ORD is organized into three national laboratories, four national centers, and six offices located in 14 facilities around the country and in Washington, DC. ORD also operates 12 national research programs each headed by a National Program Director. The national research programs provide the science to support EPA's goals as outlined in EPA's strategic plan and ORD's strategic plan.

ORD is in the process of realigning its research and development activities in an effort to improve efficiency and effectiveness. In recent years, ORD created two new offices, the Office of Science Information Management in 2008 and the Office of Administrative and Research Support in 2009, and plans to consolidate its 12 national research programs into 6 national programs by October 2011.

Allocation of EPA's Science and Technology Resources

EPA's fiscal year (FY) 2010 budget for Science and Technology totaled \$846 million. These funds were divided among ORD and other EPA offices. A substantial portion (over 30 percent) of EPA's Science and Technology budget goes to other EPA offices, including the Office of Air and Radiation, Office of Administration and Resources Management, and Office of Water. ORD does not have control over spending of the Science and Technology funds allotted to other offices.

ORD's budget for FY 2010 totaled \$594.7 million. Ninety-five percent of this amount comes from EPA's Science and Technology appropriation. About 5 percent, or \$27.8 million, comes from other appropriations, largely Superfund. ORD allocated approximately \$291 million, or 49 percent of its budget, for grants, cooperative agreements, contracts, and interagency agreements. Further, ORD was allocated funding for about 1,911 full-time equivalents (FTEs)¹ in FY 2010. ORD's personnel compensation and benefits funding is about \$250 million, or 42 percent, of ORD's budget, which pays for these 1,911 FTEs.

¹ FTEs are calculated based on the number of full-time and part-time employees in an organization. FTEs represent these workers as a comparable number of full-time employees.

Diminishing Resources for Research and Development

The Science Advisory Board (SAB) has advised the EPA Administrator on EPA's strategic research directions and budgets for many years. In its review of EPA's FY 2010 research budget, SAB identified concerns that rising personnel costs are diminishing the actual research that EPA can support. SAB stated:

As personnel costs have increased each year and other categories of expenditures have not, the funds that are available to support extramural research, as well as those available to fund procurement of the things that are needed to conduct intramural research, diminish. Without significant overall research budget increases, the "wedging" effect of personnel costs diminishes the actual research that can be supported by EPA. This dynamic is increasingly jeopardizing the strength and balance of ORD's combined intramural and extramural research program.

The EPA Administrator responded to this comment by SAB on September 14, 2009:

ORD's increased personnel expenses reflect the Agency's policy of maintaining personnel compensation and benefits to keep pace with the rising cost of living. The SAB is correct in its observation that rising personnel costs, without attendant increases in ORD's overall budget, can have a wedging effect on the resources that are available to conduct both extramural and intramural research. We are aware of this challenge and will continue to pursue creative solutions.

Administrative Efficiencies Project and Information Technology Improvement Project Initiatives

ORD began the Administrative Efficiencies Project (AEP) in 2005 and the Information Technology Improvement Project (ITIP) in 2006. While two separate initiatives, the goals of both initiatives include reducing costs by improving the efficiency and effectiveness of ORD's administrative and information technology/information management activities. For the AEP, ORD estimated that up to \$13 million, or 24 percent, of overall administrative service staffing costs could be saved annually under its recommended realignment² once fully implemented in 2012. ORD stated in its response to our draft report that it now plans to monitor progress through December 2015 or until targets have been reached. ORD also estimated costs savings for the ITIP.

² Draft Report: Environmental Protection Agency's Office of Research & Development, Administrative Efficiencies Project (AEP) (Formerly Goal 1), November 1, 2006.

According to ORD, based on its analysis in the 2008 AEP Cost Savings Report, the AEP has reduced administrative service delivery expenses by about \$7.9 million annually, or 11.5 percent, since its start in 2005. This savings is about 48 percent of ORD's long-term goal of 24 percent in savings for 2012. ORD stated in its 2008 AEP Cost Savings Report that the overall administrative workforce was reduced by 73 work years³ from 2005 to 2008. According to this report, the federal workforce showed the largest decline, with a reduction of 63 FTEs. Senior Environmental Employees (SEEs) and contractor staffing decreased by 10 work years, according to the report.

ORD also estimated substantial cost savings resulting from the ITIP. For example, the Office of Management and Budget's (OMB's) 2007 Program Assessment Rating Tool review of ORD's Ecological Research Program stated that the ITIP achieved a savings of \$2 million in FY 2007 by investing in a more powerful shared platform for high-performance computing and reducing storage costs. Further, according to ORD, the Total Cost of Ownership Initiative, a predecessor to the ITIP, created a standard desktop platform, established a centralized call center, and consolidated aspects of ORD's core computer infrastructure and maintenance, to achieve an annual savings of \$2 million beginning in FY 2005.

Consolidation of ORD Research Programs

EPA's Assistant Administrator for Research and Development announced in September 2010 that ORD's latest realignment would consolidate its research and development programs into 6 national programs. ORD stated that this realignment is to strategically align its research and technical support into broad program areas that cut across national labs, centers, and offices, to allow ORD to work across projects and disciplines. As part of ORD's Path Forward initiative,⁴ one of ORD's goals of this realignment is to increase its mission effectiveness. ORD estimated that this realignment would be completed by October 2011.

EPA's Accounting for Costs

ORD's labs, centers, and offices are responsible for determining the appropriate direct charges for personnel costs at the national program level in accordance with Agency policy.⁵ ORD does not track costs by individual research projects. ORD stated that, according to this policy, it accounts for its personnel costs at the national program level.

³ In its 2008 AEP Cost Savings Report, ORD stated that it used the term "work year" to indicate the total workforce population—federal, SEEs, and on-site contractors. "FTE" indicates full-time equivalent for federal employees only.

⁴ EPA's Assistant Administrator for Research and Development developed a set of principles to guide ORD's work going forward, to provide the scientific and technological basis for advancing EPA's mission to protect human health and the environment.

⁵ Office of the Chief Financial Officer's PRC Policy & Procedure Document Number: 27334.04001

Noteworthy Achievements

ORD has recognized the need to reduce administrative costs and has taken steps to do so by initiating the AEP and ITIP. Although only about half way toward its long-term goal, ORD estimates that its AEP has already reduced its administrative service delivery expenses by nearly 12 percent since its start in 2005, including reducing ORD's administrative workforce by 73 work years. ORD also estimated cost savings for the ITIP of \$2 million in 2007.

Scope and Methodology

To determine how ORD manages its indirect and overhead costs, we reviewed information on ORD's initiatives to reduce its administrative costs,⁶ particularly ORD's AEP and ITIP initiatives. We reviewed ORD's intranet site for AEP and ITIP reports to identify efforts made by ORD to address indirect and overhead costs. We focused our review on personnel costs, since personnel costs represent the largest amount of indirect and overhead costs under ORD's control. Further, we analyzed ORD's budget data for the last 3 years, the current year, and the proposed 2011 budget.

We reviewed SAB reports that advised the EPA Administrator on EPA's strategic research directions and budget for recommendations related to properly managing indirect costs and overhead. We also reviewed pertinent guidance issued by OMB.

We interviewed representatives from ORD located in Washington, DC, and Research Triangle Park, North Carolina, and the Office of the Chief Financial Officer in Washington, DC, to identify policies, procedures, and guidance documents related to budgeting and accounting for indirect and overhead costs. We also interviewed management and science representatives from various offices within ORD to identify efforts made by ORD to address indirect and overhead costs.

Further, with data obtained from ORD, we calculated the number of employees for each job series in three occupational groups that included employees with administrative responsibilities for FYs 2005–2010 to determine whether there were reductions in administrative employees within these fiscal years. The Office of Inspector General (OIG) methodology to calculate estimated reductions in administrative positions differed from the one used by ORD. The OIG calculated the number of employees for each job series in the following occupational groups: General Administrative, Clerical and Office Service Group (job series 301–399);

⁶ Indirect and overhead costs are generally costs not directly attributable to a single cost objective or activity. For the AEP, ORD focused on staffing cost related to administrative service delivery at ORD. Examples of indirect or administrative costs include personnel costs for budgeting, costs for information management activities, and general management functions.

Accounting and Budget Group (job series 501–560); and Business and Industry Group (job series 1101–1105) for FYs 2005–2010. The OIG considered the job series in these occupational groups to generally be full-time administrative positions for purposes of our analysis. Our comparison only included federal employees and did not address federal employees outside of these three occupational groups, SEEs, or on-site contractors. ORD’s estimated costs savings for the AEP were largely based on two ORD surveys. The ORD survey covered more occupational groups and covered SEEs and on-site contractors. Because of the amount of time that has passed since ORD completed its surveys and the difficulty in verifying estimates obtained during those time periods, our analysis did not include a review of the ORD managers’ estimates of time ORD employees spent on administrative functions.

We conducted our evaluation from June 2010 to April 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

Review of Management (Internal) Controls

Generally accepted government auditing standards require that auditors obtain an understanding of internal controls significant to the audit objectives and consider whether specific internal control procedures have been properly designed and placed in operation. We reviewed policies and procedures, including EPA ORD, and Office of the Chief Financial Officer policies, procedures, and guidance documents relating to budgeting and properly managing indirect and overhead costs. We reviewed vulnerability assessments, assurance letters, and related documents under the Federal Managers’ Financial Integrity Act. We also reviewed OMB’s Program Assessment Rating Tool assessments for the 12 ORD programs reviewed by OMB from 2004 to 2007 for information related to budgeting, indirect and overhead costs. Our findings pertaining to specific internal and management controls are discussed below.

Results of Review

ORD needs to improve its mechanism for assessing the effectiveness of its initiatives to reduce administrative costs. ORD only completed two surveys in 5 years and did not obtain data directly from individual employees, including staff whose time was spent on administrative activities. The surveys only reported on a selected number of ORD staff, not all ORD staff. Further, ORD used more detailed definitions for administrative functions for the second of the two surveys, which may have impacted the comparability of results between the two surveys. The effectiveness of ORD’s efforts to reduce costs by improving efficiency and effectiveness could be better measured if data on staff assignments were collected more frequently and directly from the staff involved. Additional data may also be

useful, taking into consideration the costs involved with their collection. Also, by surveying more frequently, ORD could identify and address issues that may impact ORD in meeting its goal of reducing administrative costs and, in turn, maximizing available funding for research and development activities.

OMB Circular A-123 states that management controls are the organization, policies, and procedures used to reasonably ensure that “programs achieve their intended results”; “resources are used consistent with agency mission”; and “reliable and timely information is obtained, maintained, reported, and used for decision making.” Without such reliable and timely information, ORD lacks an adequate measure of how its resources are actually used.

ORD Should Improve Method of Measuring Savings

ORD measured its progress toward achieving targeted savings by comparing periodic snapshots of ORD administrative service staffing performing the functional areas identified in the AEP report. Estimated costs savings for the AEP were largely based on two ORD surveys, one conducted in 2005 and the other in 2008. The surveys were completed by each lab, center, and office Program Operations Staff Director (approximately 15 managers) for their respective administrative workforces. According to ORD:

A small team of 5 Program Operations Staff Directors (called the Goal 1 team) developed a list of functional categories to better understand the level of resources devoted to providing administrative and research support services. The data included support provided by Federal employees, SEE enrollees and contractors. Each Program Operations Staff Director gathered data for their respective organization, for review by the Goal 1 team to ensure consistency and completeness.

While ORD used a detailed survey methodology, and the two surveys ORD conducted provided the manager’s perspective of the amount of time staff spent on administrative duties, we identified the following concerns:

- ORD has only conducted two surveys in 5 years, and estimated that the next survey will not be conducted until late in calendar year 2011.
- The staff members whose time was spent on administrative activities did not complete the survey.
- The surveys only reported on a selected number of ORD staff. For example, ORD’s 2005 survey estimated time for 721 people (including certain federal, SEE, and contractors). By comparison, ORD reported having 1,975 employees in FY 2005.

- ORD used more detailed definitions for administrative functions for the second of the two surveys, which may have impacted the comparability of results between the two surveys. For example, ORD changed the number of administrative functions from 10 in the 2005 survey⁷ to 14 in the 2008 survey, and changed the number of administrative subfunctions from 22 in 2005 to 41 in 2008. While this helped ORD managers by providing the managers with more precise definitions for administrative functions and subfunctions in the 2008 survey, the change made assessing the effectiveness of its initiatives more difficult. This difficulty occurred because we could not measure the extent to which the different definitions impacted the ORD managers' estimates of time their employees spent on administrative activities.

ORD reports for the ITIP initiative have acknowledged problems with determining actual personnel savings of the IT efforts, including stating, "It is generally not clear who is involved in IT/IM (information technology/information management) support within ORD." ORD also reported:

Even with mandatory time management multi-million dollar human resource systems, and federal requirements to categorize individuals and maintain job descriptions, the only reliable way to understand who is engaged in IT/IM (information technology/information management) functions in ORD is to release a survey to the organization. However, even after this is performed, there is widespread acknowledgement that the data received does not accurately portray reality.⁸

A more timely and accurate measurement mechanism would better enable ORD to provide reasonable assurance of its effective use of resources in accordance with the intent of OMB Circular A-123, as well as allow ORD to better assess the effectiveness of its initiatives to reduce administrative costs.

OIG's Limited Comparison of Three Job Series

We compared the number of ORD administrative employees for each job series in three occupational groups of ORD employees with administrative responsibilities for FYs 2005–2010. The reduction in ORD administrative employees from 2005 to 2008 was 22 FTEs, or approximately a 6 percent reduction in administrative employees. The 2008 AEP report estimated a 14.4 percent reduction in federal administrative FTEs during this same time period. However, it should be noted that our comparison only included federal employees and did not cover ORD

⁷ Draft Report: Environmental Protection Agency's Office of Research & Development, Administrative Efficiencies Project (AEP) (Formerly Goal 1), November 1, 2006.

⁸ Office of Research and Development, IT Improvement Project Workgroup, Current State Findings, July 28, 2006.

employees outside of these three occupational groups, nor did it cover SEEs or on-site contractors. The ORD survey covered a larger number of occupational groups and covered SEE employees and on-site contractors. Table 1 shows the year-to-year changes in each of the three Office of Personnel Management (OPM) occupational groups that contain job series with administrative responsibilities, and the cumulative changes for the three series over the last 6 fiscal years.

Table 1: OIG analysis of three ORD occupational groups of employees with administrative responsibilities, FYs 2005–2010

Fiscal year	Number of employees in 300 job series ^a	Number of employees in 500 job series ^b	Number of employees in 1100 job series ^c	Total number of employees in the three series	Percent change (year to year)	Percent change (cumulative) ^d
2005	342	35	7	384	n/a	n/a
2006	333	35	7	375	- 2%	- 2%
2007	329	33	7	369	- 2%	- 4%
2008	321	30	11	362	- 2%	- 6%
2009	303	33	8	344	- 5%	-10%
2010	308	41	6	355	+ 3%	- 8%

Source: OIG-created analysis of EPA ORD data.

^a The 300 series represents job positions in OPM's General Administrative, Clerical and Office Services Group.

^b The 500 series represents job positions in OPM's Accounting and Budget Group.

^c The 1100 series represents job positions in OPM's Business and Industry Group.

^d Minor cumulative differences exist due to rounding.

The OIG methodology provided a trend analysis of the number of ORD administrative positions for these three categories for each year. Our analysis showed that the number of positions classified as administrative for the three occupational groups decreased from 384 to 355 from FY 2005 through FY 2010. We identified an increase of 11 administrative employees from FY 2009 to FY 2010. We acknowledge that this increase may not be indicative of the trend for all ORD personnel performing administrative tasks during these time periods. However, we believe that tracking the number of ORD administrative employees annually or more frequently can help ORD better identify potential impediments to meeting its goal of reducing administrative costs.

Recent ORD Measurement Efforts

ORD managers stated that ORD has taken steps that would allow it to identify administrative employees and to track the number of employees in administrative positions. For example, each month EPA's Human Resources Division provides a report of personnel changes, and ORD updates its organization roster based on this report. Administrative personnel are identified in the administrative roster. In December 2010, ORD decided to put the information in the updated organization rosters in its Office Management Information System Human Resources module (database). ORD completed a reconciliation of administrative personnel in this

database and the ORD administrative roster. ORD plans to reconcile its database and administrative roster every 6 months as part of its quality assurance process. In response to our draft report, ORD stated that “tagging” (identifying) federal administrative personnel in its database and reconciling this result with personnel rosters will continue through December 2015 or until targets have been reached.

There are limitations to both ORD’s and OIG’s methodologies. While we cannot verify ORD’s estimates of administrative savings, we believe that shorter intervals between surveys would allow ORD to conduct annual or more frequent trend analysis that could help it determine whether it is on track to meet its goals. Further, these trend analyses would allow ORD to more promptly identify issues affecting progress and allow ORD to make appropriate changes toward goal accomplishment. For example, our analysis identified an increase in administrative positions in FY 2010 that may not have been identified under ORD’s measurement methods that were in effect for the time period we reviewed. There may also be increases in administrative costs, due to an increase in the number of administrative employees, which should be more promptly disclosed and addressed. ORD, by more frequently surveying these activities, would enhance its ability to more quickly identify lapses in progress toward goal attainment.

Conclusions

ORD does not have sufficient data nor a timely or accurate system for assessing the effectiveness of its initiatives to reduce administrative personnel costs. Until it does, ORD will not have the information needed to provide reasonable assurance that it is managing its administrative personnel costs appropriately so as to maximize available funding for research and development activities. To assess the effectiveness of its initiatives, ORD needs to be able to accurately and timely measure its administrative costs.

Recommendation

We recommend that the Assistant Administrator for Research and Development:

1. Establish a more timely and accurate system to measure its effective use of resources and to allow ORD to better manage its initiatives to reduce administrative costs.

Agency Comments and OIG Evaluation

ORD agreed with our finding that the savings from its efforts to reduce administrative costs could be better measured had the Agency collected data from staff on a more frequent basis. ORD also agreed with the recommendation. However, ORD stated that it had several reservations about other findings included in the report. ORD’s complete written response is in Appendix A. We

made changes to the final report based on these comments, as appropriate. Our evaluation of the Agency's response is in Appendix B.

In response to Recommendation 1, ORD stated that it will "tag" federal administrative personnel, SEEs, and on-site contractors in its Office of Research and Development Management Information System (OMIS) and reconcile this data with personnel rosters on a monthly basis. In addition, ORD's senior management will meet twice each year to review current status and outline plans to attain organizational administrative staffing targets. ORD stated that this process would continue through December 2015 or until targets have been reached. ORD's planned actions and the timeline for completion of the recommendation meet the intent of our recommendation. As such, we are closing this report upon issuance in our tracking system.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed To Amount
1	9	Establish a more timely and accurate system to measure its effective use of resources and to allow ORD to better manage its initiatives to reduce administrative costs.	O	Assistant Administrator for Research and Development	December 2011		

¹ O = recommendation is open with agreed-to corrective actions pending
 C = recommendation is closed with all agreed-to actions completed
 U = recommendation is undecided with resolution efforts in progress

Agency Response to Draft Report

MEMORANDUM

SUBJECT: Office of Research and Development (ORD) Response *ORD Needs to Improve Its Method Of Measuring Administrative Savings*, Project No. OPE-FY10-0018

FROM: Lek G. Kadeli
Deputy Assistant Administrator
Office of Research and Development

TO: Wade Najjum
Assistant Inspector General
Office of Program Evaluation

Thank you for the opportunity to comment on the Office of Inspector General (OIG) draft audit report, *ORD Needs to Improve Its Method Of Measuring Administrative Savings* (Project No. OPE-FY10-0018), dated April 12, 2011. We appreciate the OIG's recognition that "*AEP has already reduced [ORD's] administrative service delivery expenses by nearly 12 percent.*"

The ultimate goal of ORD's Administrative Efficiencies Project (AEP) was to achieve significant efficiencies in delivering administrative support services. We did this by taking steps to identify ORD-wide organizational alignment options and implementation approaches. We also developed common business practices, standard operating procedures, and leveraged existing technology. In addition, we took advantage of industry and government best practices for administrative support delivery management.

In the "At a Glance" section, your draft report states:

"ORD used a detailed methodology for the two surveys it conducted during 2005–2010, which provided a manager's perspective of the amount of time staff spent on administrative duties. However, this was not an effective mechanism for accurately assessing its initiatives for several reasons. First, only two surveys have been completed in 5 years."

ORD agrees with your finding that the savings could be better measured had we collected data from staff on a more frequent basis. We also agree with the subsequent recommendation that addresses this particular finding. However, we have several reservations about the other

findings you included in your report, some of which we shared in response to your preliminary outline of assignment results.

As noted in your report, OIG's methodology to calculate estimated reductions in administrative positions was limited to "... *federal employees and did not address federal employees outside of these three occupational groups.*" You acknowledged that "*the ORD survey covered more occupational groups and covered SEEs and on-site contractors.*" However, there is no explanation in the report on why ORD used a more comprehensive methodology as opposed to limiting our methodology to certain occupational groups. Your staff did not audit our methodology or cost savings data but your report gives the impression that ORD's methodology and cost savings data was flawed. Although we appreciate the additional insight that OIG provided, we believe a better understanding of our comprehensive methodology would have influenced your approach.

ORD's review evaluated each position and determined what percentage of their time was spent on administrative duties. This evaluation looked at employees, SEE enrollees, as well as contractors. We believed that, due to inefficiencies that existed at the time, scientists and other staff were performing some administrative activities even though they were not classified in certain occupational groups. We wanted this to be a comprehensive review, so we did not limit our focus to specific occupational groups. We believed that the approach we used gave an accurate assessment of the total cost of ownership as it relates to our administrative support footprint.

See Appendix B, Note 1, for OIG Response.

In your draft report, you state "*Second, the surveys only obtained the manager's perspective on administrative costs, and did not obtain data directly from individual employees, including staff whose time was spent on administrative activities.*" We believed that a manager's perspective would add more value to the process. A key responsibility of a manager is to oversee their employees' work responsibilities. When we needed more information on what positions were performing administrative duties, we believed managers would provide a more accurate assessment of the administrative work being performed by their employees. Many of the managers reached out to their employees in order to provide the information that was requested in the 2005 and 2008 survey.

See Appendix B, Note 2, for OIG Response.

In your draft report, you further state "*Third, the surveys only considered a select number of ORD staff, rather than all ORD staff.*" Our decision to not survey all employees was

intentional and calculated. We did not believe a full survey of all of the ORD staff was appropriate, especially since many of the positions were not within scope of the AEP.

See Appendix B, Note 3, for OIG Response.

In your draft report, you further state “*Fourth, ORD used different definitions for administrative functions for the two surveys*”. We would like to restate that ORD did not use different definitions of for administrative functions for the two surveys. We used more specificity, not different definitions. The goal of the follow-up survey was to do more of a deep dive in order to develop a new baseline. The definitions were clarified to ensure that we were getting the detailed information needed in our re-baseline effort. Our clarifications were intended to limit the interpretation needed in understanding the definitions of administrative functions.

See Appendix B, Note 4, for OIG Response.

In addition to the comments above, we would also like to offer the following technical clarifications:

- On page 5, you reference contractors as employees. Contractors that work in ORD are employees of the contracted company, not employees of the U.S. Environmental Protection Agency.

See Appendix B, Note 5, for OIG Response.

- On Page 1, you mentioned that ORD has two offices. We would like to clarify that ORD has six offices including:
 - IOAA: Immediate Office of the Assistant Administrator
 - OARS: Office of Administrative and Research Support
 - ORMA: Office of Resources Management and Administration
 - OSA: Office of the Science Advisor
 - OSIM: Office of Science Information Management
 - OSP: Office of Science Policy

See Appendix B, Note 6, for OIG Response.

- The information technology improvement project (ITIP) and AEP are two separate initiatives; the report seems to merge the two together which could mislead the reader.

See Appendix B, Note 7, for OIG Response.

- The report does not seem to acknowledge that the AEP stand up is not yet complete.

See Appendix B, Note 8, for OIG Response.

In response to your recommendation, we have attached a table outlining ORD's corrective actions and projected completion dates. If you have any questions, please contact Norman Adkins at (919) 541-0872.

cc: Arthur Elkins
Rick Beusse
Lek Kadeli
Amy Battaglia
Jerry Blancato

Attachment I**ORD Corrective Actions and Projected Completion Dates**

Rec No.	OIG Recommendation	Lead Responsibility	ORD Corrective Action	Planned Completion Date
1	Establish a more timely and accurate system to measure its effective use of resources and to allow ORD to better manage its initiatives to reduce administrative costs.	Director, Office of Administrative and Research Support, ORD	ORD will "tag" federal administrative personnel, SEEs, and on-site contractors in ORD's administrative system (OMIS) and reconciling this data with personnel rosters on a monthly basis. In addition, ORD's senior management will meet twice each year to review current status and outline plans to attain organizational administrative staffing targets.	Tagging of federal administrative personnel in OMIS and reconciling with personnel rosters will continue through December 2015 or until targets have been reached. The first ORD senior management meeting will be completed by December 2011 and will continue twice a year thereafter through 2015 or until targets have been reached.

OIG Evaluation of Agency Response

- Note 1:** As noted on page 5, because of the amount of time that had passed since ORD completed its surveys and the difficulty in verifying estimates obtained, our analysis did not include a review of ORD managers' estimates of employee time spent on administrative functions. Our analysis was intended to identify whether assessing yearly trends in ORD's administrative personnel costs may reveal information not captured by ORD's two surveys.
- Note 2:** We agree that the manager's perspective is important, but we also believe that the effectiveness of ORD's efforts to reduce costs would be better measured if data on staff assignments were also collected more frequently and directly from the staff involved.
- Note 3:** The intent of this statement was to indicate that since the surveys only reported on a selected number of ORD staff, some administrative costs might not be captured in the survey.
- Note 4:** We acknowledged on page 7 that this provided the managers with more precise definitions for administrative functions and subfunctions in the 2008 survey. We revised the final report to say that ORD used more detailed definitions for administrative functions for the second of the two surveys, which may have impacted the comparability of results between the two surveys.
- Note 5:** We revised the final report to make clear that we were talking about contractors and not EPA employees.
- Note 6:** ORD's recommended revision made on page 1 in the final report. However, as of June 27, 2011, ORD's website at <http://www.epa.gov/aboutepa/ord.html> continued to state: "ORD is organized into three national laboratories, four national centers, and two offices located in 14 facilities around the country and in Washington, D.C." We have requested that ORD update its public website.
- Note 7:** We added clarifying text to the final report to make it clear that these are two separate initiatives. Text was added to the At a Glance and on page 2 under "*Administrative Efficiencies Project and Information Technology Improvement Project Initiatives*."
- Note 8:** We acknowledged in several places in the draft report that the AEP project is not yet complete. For example, on page 2, we provided ORD's estimated savings for the AEP once fully implemented in 2012, and on page 3 we compared the estimated savings in the 2008 report to ORD's long-term goal of 24 percent in savings for 2012. Additionally, we updated this section by adding that ORD plans to monitor progress through December 2015 or until targets have been reached. We also stated on page 7 that ORD estimated that the next survey will not be conducted until late in calendar year 2011.

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