



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Weak Management of a Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid

Report No. 14-P-0272

May 30, 2014



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Abbreviations

COR	Contracting Officer's Representative
EPA	U.S. Environmental Protection Agency
EPAAR	EPA Acquisition Regulation
FAR	Federal Acquisition Regulation
G&A	General and Administrative
MPRs	Monthly Progress Reports
OAM	Office of Acquisition Management
OARM	Office of Administration and Resources Management
OIG	Office of Inspector General
SOW	Statement of Work
T&M	Time-and-materials

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At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency's (EPA's) Office of Inspector General conducted this review to assess agency controls and processes for managing a time-and-materials (T&M) contract. We selected one contract to determine whether: (1) the EPA has procedures that require the verification of contractor personnel as having the qualifications and credentials specified in the contract; (2) the implementation of that verification process is effective; and (3) the EPA received the level of services for which the agency paid.

The contract, EP-W-07-067 ("Technical and Outreach Support Services for Domestic and Global Climate Initiatives and Global Climate Change Programs"), was awarded by the EPA's Office of Administration and Resources Management.

This report addresses the following EPA goal or cross-cutting strategy:

- *Embracing EPA as a high-performing organization.*

For further information, contact our public affairs office at (202) 566-2391.

The full report is at:
www.epa.gov/oig/reports/2014/20140530-14-P-0272.pdf

Weak Management of a Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid

What We Found

The EPA lacks a process to verify that contractor personnel had the skill level to satisfy contract requirements. We reviewed all 93 task orders for contract EP-W-07-067 and focused on task order 25. The task order 25 review revealed several problems:

- The task order did not list any employees named in reviewed invoices.
- The EPA repeatedly modified the task order to increase funding from an initial estimate of \$310,917 to over \$2,000,000.
- The contracting officer's representative for task order 25 accepted the contractor's deliverables without documenting a review of the contractor's personnel qualifications in comparison with the labor categories invoiced.
- The task order was closed without all deliverables being met.

The EPA awards millions of federal dollars to contractors every year. It must have robust oversight and management controls in place to prevent waste and unnecessary spending.

In the contract we reviewed, the official contract file was incomplete, the determination and findings document did not properly justify the use of a T&M contract, a government-surveillance plan was not created, and a contracting officer's representative improperly authorized the disposal of government property. There was almost no contract management after the contract was awarded, and the contracting officer had little involvement with contract administration and delegated most tasks to the contracting officer's representatives. Given the lack of oversight, contract administration and documentation, the EPA cannot verify that the contractor provided qualified staff for the execution of the contract, which created the risk of the agency not receiving services for which it paid.

Recommendations and Agency Response

We made eight recommendations to the Assistant Administrator for Administration and Resources Management to improve, implement or address agency oversight of contractor personnel, subcontractors, activities and invoices under T&M contracts; best practices for agency personnel when dealing with T&M contract administration; and questionable charges and improper disposal of government property for contract EP-W-07-067. The EPA has agreed with some recommendations and proposed some acceptable corrective actions. However, information on actions is incomplete and disagreements remain. Therefore, all recommendations are unresolved. In its final response to this report, the EPA must provide additional information, as described in this report, to resolve the report recommendations.



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

THE INSPECTOR GENERAL

May 30, 2014

MEMORANDUM

SUBJECT: Weak Management of a Climate Change Services Contract Creates Risk EPA Did Not Receive Services for Which It Paid
Report No. 14-P-0272

FROM: Arthur A. Elkins Jr.

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

TO: Craig E. Hooks, Assistant Administrator
Office of Administration and Resources Management

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 EPA office having primary jurisdiction over the issues evaluated is the Office of Acquisition Management within the Office of Administration and Resources Management.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 60 calendar days. You should include planned corrective actions and completion dates for all unresolved recommendations. Your response will be posted on the OIG's public website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification. 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 Carolyn Copper, Assistant Inspector General for Program Evaluation, at (202) 566-0829 or copper.carolyn@epa.gov; or Eric Lewis, Director, Special Program Reviews, at (202) 566-2664 or lewis.eric@epa.gov.

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Purpose

The purpose of this review was to assess the controls and processes for managing a time-and-materials (T&M) contract at the U.S. Environmental Protection Agency (EPA). The Office of Inspector General (OIG) selected one T&M contract to determine whether:

- The EPA has procedures requiring verification that contractor personnel have the qualifications and credentials specified in the contract.
- The implementation of that verification process is effective.
- The EPA received the level of services for which it paid.

Background

A broad range of contract types is available to the government and contractors to provide needed flexibility in acquiring the large variety and volume of supplies and services that agencies require. Contract types vary according to:

- The degree and timing of the responsibility assumed by the contractor for the costs of performance.
- The amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals.

Rules and Guidance Governing EPA Contracting

The Federal Acquisition Regulation (FAR) is the primary regulation for use by all federal executive agencies in their acquisition of supplies and services with appropriated funds. The FAR limits agency acquisition regulations to those necessary to implement FAR policies and procedures within an agency. The EPA Acquisition Regulation (EPAAR) implements and supplements the FAR. The EPA's *Contracts Management Manual* is an agencywide directive that provides guidance primarily to program office personnel.

Time-and-Materials Contracts

According to FAR 16.601(b), a T&M contract is one in which supplies or services are acquired based on: (1) direct-labor hours at specified fixed hourly rates that include wages, overhead, general and administrative (G&A) expenses, and profit; and (2) actual cost for materials. The FAR also stipulates in 16.601(c) that a T&M contract may be used as a contract vehicle only when it is not possible to accurately estimate the extent or duration of the work, or to anticipate costs with any reasonable degree of certainty. As such, a T&M contract may be used only after the contracting officer produces a "determination and findings" document, which verifies that no other contract type is suitable. As of August 2012, the EPA had 735 active contracts, of which 142 (about 19 percent) were T&M and labor-

hour contracts.¹ The EPA's contract obligations for all active contracts totaled over \$4.6 billion, of which \$1.85 billion (40 percent) were obligated to T&M and labor-hour contracts.

Responsible Headquarters Office

Within the EPA's Office of Administration and Resources Management (OARM), the Office of Acquisition Management (OAM) is responsible for policies, procedures, operations and support of the agency's procurement and contracts management program—from contract planning through closeout.

Responsibilities of the Contracting Officer

According to FAR 1.601, a contracting officer is the only person who can enter into and sign off on contracts on behalf of the government. The contracting officer also has the authority to enter into, administer and terminate contracts, and to make related determinations and findings. FAR 1.602-1(b) states:

No contract shall be entered into unless the contracting officer ensures that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met.

The FAR also provides instruction for what contract files should contain, including the original signed contract, modifications, and any additional documents that reflect actions taken by the contracting office. The EPA's *Contracts Management Manual* requires the contracting officer to maintain the official contract file through closeout.

FAR 1.602-2 outlines the full weight and scope of a contracting officer's responsibilities:

Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. In order to perform these responsibilities, contracting officers should be allowed wide latitude to exercise business judgment.

Furthermore, FAR 1.102-4(a) states:

... the contracting officer must have the authority to the maximum extent practicable and consistent with law, to determine the application of rules, regulations, and policies, on a specific contract.

¹ FAR 16.602 defines a labor-hour contract as a variation of a T&M contract, differing only in that materials are not supplied by the contractor.

In undertaking this effort, many contracting officers rely on the contribution of numerous financial, legal and technical experts to assist them.

Responsibilities of the Contracting Officer's Representative

Due to the size and complexity of agency acquisitions, contracting officers frequently appoint qualified individuals to assist in contract administration, known as contracting officer's representatives (CORs). The COR is an authorized representative of the contracting officer who is nominated by the program office; appointed by the contracting officer; and possesses the necessary knowledge, skills and abilities to perform COR duties. Although appointed by a contracting officer, a COR does not have the authority to enter into contractual agreements or amendments. CORs may perform only those functions appointed to them, and must not take any action reserved for the contracting officer, such as:

- Promise or authorize the contractor to perform work that is in addition to or outside the scope of the contract, work assignment, or delivery or task order.
- Conduct negotiations or bind the government by making any written or oral agreements with contractors.
- Directly or indirectly change:
 - Pricing, cost or fee.
 - Scope of the acquisition (i.e., the contract, purchase order, work assignment, delivery, task order, etc.).
 - Delivery schedule or period of performance.
 - Labor mix or level of effort.
 - Any terms or conditions of the acquisition.
- Redelegate or reassign COR authority.
- Authorize government-furnished property or its disposition.
- Direct the contractor to start work or issue stop-work orders.

The contracting officer may appoint a contract-level COR, as well as a task-order COR. For each task order, the contracting officer may instruct the task-order COR to draft the statement of work (SOW) to identify the work that the EPA wants the contractor to perform, as well as the independent government cost estimate on how much the work might cost. Once the task order is issued, the task-order COR may also be tasked with monitoring the contractor's performance to ensure that the EPA obtains a quality product on time and within cost. Monitoring includes giving technical direction, reviewing deliverables, and reviewing monthly progress reports (MPRs) and invoices.

CORs should ensure that the skill level and labor mix provided by the contractor (i.e., contractor personnel qualifications) meet the specifications in the contract. According to the EPA's *Contracts Management Manual*, this is accomplished by reviewing invoices and MPRs to ensure that the contractor uses the labor skill mix (i.e., labor categories and hours) necessary to fulfill government requirements.

Within a labor category, actual wages or salaries vary from one employee to another, with the more experienced and skilled employees earning higher wages or salaries. If a contract stipulates the need for labor at a particular experience or skill level but a contractor uses lower-paid, less-experienced and less-skilled workers in a labor category, performance may be less efficient or adversely impacted. Additionally, the contractor will be paid for a level of service not delivered.

Verification of Contractor Personnel Qualifications

The EPA's regulations and guidance do not specifically require the agency to verify contractor staff qualifications or provide procedures for doing so. However, the regulations and guidance do oblige the EPA to make some assessment of contractor personnel qualifications, obtain resumes of contractor personnel, or evaluate contractor personnel qualifications. For example:

- For T&M contracts, FAR 52.232-7(a) requires hourly rates to be paid for all labor performed on the contract that meets the labor qualifications specified in the contract. Under 11.2.3 of the EPA's *Contracts Management Manual*, the contracting officer has ultimate responsibility for invoice processing under individual contracts. However, OAM's policy of not verifying contractor personnel qualifications and labor rates is inconsistent with the FAR.
- Text from chapter 3 of the EPA's *Contracting Officer's Representative (COR) Basic Training Course Text* advises that CORs should consider contractor personnel qualifications and can ask the contractor to submit resumes of proposed personnel.
- The EPA's *Contracts Management Manual*, 16.2.5.6(A), states that the technical component of an offer should include a staffing plan, as well as resumes of key personnel (if key personnel are identified).²
- When deciding to award a contract, FAR 15.305(a)(2)(iii) requires the agency to evaluate relevant predecessor companies, proposed key personnel or proposed subcontractors as a selection criterion.
- When issuing a contract, EPAAR Section 1552.237-72 requires the contracting officer to insert a contract clause naming key personnel, and requires the contractor to notify the contracting officer in the event of key personnel replacement.

Scope and Methodology

We conducted our review from June 2011 through October 2013, in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis

² Key personnel are individuals who have major contract responsibilities or provide unusual or unique expertise.

for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

We selected one T&M contract for review: EP-W-07-067 (“Technical and Outreach Support Services for Domestic and Global Climate Initiatives and Global Climate Change Programs”), which was issued by OARM. We chose to review this contract due to its dollar value. Based on OAM’s active contract list at the time we began the review, and as of August 2011, \$25.10 million has been obligated and \$25.05 million paid.³ The contract may not exceed \$30.9 million.

We conducted interviews with relevant EPA staff from OARM, the Office of the Chief Financial Officer, and the Office of Air and Radiation. This included interviews with the contracting officer for the contract and the COR for task order 25. We obtained and reviewed contract documents, including the pre-award file, award file, all task orders (totaling 93), and 11 MPRs and associated invoices for task order 25 submitted from October 2010 through September 2011. We chose task order 25 for further review due to its high cost of over \$2 million. We also reviewed the regulations and agency guidance pertaining to the management of T&M contracts.

Prior Evaluation and Audit Coverage

The following OIG reports addressed issues related to the scope of our review:

- Report No. 09-P-0242, *Contractor Invoice Internal Controls Need Improvement*, September 23, 2009.
- Report No. 10-R-0113, *EPA Should Improve Its Contractor Performance Evaluation Process for Contractors Receiving Recovery Act Funds*, April 26, 2010.
- Report No. 12-P-0320, *Policies Needed for Proper Use and Management of Cost-Reimbursement Contracts Based on Duncan Hunter Act*, March 6, 2012.
- Report No. 12-P-0407, *Great Lakes National Program Should Improve Internal Controls to Ensure Effective Legacy Act Operations*, April 9, 2012.
- Report No. 13-P-0208, *EPA Should Increase Fixed-Price Contracting for Remedial Actions*, March 28, 2013.
- Report No. 13-P-0209, *Opportunities for EPA-Wide Improvements Identified During Review of a Regional Time and Materials Contract*, April 4, 2013.

³ As of September 18, 2013, this was the most current information available from the EPA Compass Data Warehouse.

Results

Weak management and oversight of contract EP-W-07-067 put the EPA at risk of not receiving services for which the agency paid. We found the agency has no uniform process in place to verify contractor personnel qualifications. Absent a process, we found contractor personnel discrepancies throughout the contract files. We also found that the EPA could not verify the accuracy of invoiced charges.

Analysis of monthly invoice subsamples revealed problems with labor costs, G&A costs, and subcontractor costs. Task order 25 deliverables were vaguely defined, outside of scope and untimely. From an initial cost ceiling of \$310,917, task order 25 costs grew to more than \$2,000,000, and the period of performance was extended by almost 3 years. Task order 25 closed without all deliverables being met, and another task order was opened, in part, to address lingering items.

During the course of our review, we identified problems beyond those associated with our objectives. We found a lack of proper records management for the selected contract. The determination and findings document did not justify the use of a T&M contract. The agency also did not create the quality assurance surveillance plan required of a T&M contract. Finally, we found that the task order 25 COR improperly authorized the disposal of government property.

EPA Does Not Require Verification of Contractor Personnel Qualifications for Time-and-Materials Contracts

We found that the agency has no uniform process in place to verify contractor personnel qualifications. OAM management told us the contractor is responsible for ensuring that all staff, other than key personnel, are qualified to perform work under the contract. Rather than verifying contractor qualifications, EPA staff stated they relied on personal judgment and information contained in the contract. A contracting officer we interviewed told us that verifying the qualifications of contracting staff billed under the contract was not required; it was the contractor's responsibility to find qualified personnel for a given contract. The COR for task order 25 also told us that verifying the qualifications of contractor staff was not required because the field was small and there was familiarity with those working in the field.⁴

⁴ OIG Report No. 13-P-0209 recommended that OAM require task order CORs to evaluate the qualifications of contractor key staff proposed by the contractor in the work plan, and to review qualifications for samples of non-key staff billed on invoices. This recommendation has been resolved with OAM. Therefore, we did not make a similar recommendation in this report.

Contractor Personnel Discrepancies Exist at Multiple Levels of the Contracting Process

We found that the documentation of contractor and related personnel qualifications was insufficient for both contract-level modifications and the contract-level proposal. The contract formally named only two contractor employees—the program manager and the deputy program manager—as key personnel, while the contract and contract-level modifications approved the use of 23 subcontractors and 31 consultants. In addition, the contractor’s proposal named nearly 200 employees, but only 111 employee resumes were included. OAM management confirmed that it only requires key personnel to be named.

We examined the 93 task orders issued under the contract and found additional personnel issues. For example:

- We were unable to determine which contractor employees managed 23 of the 93 task orders because the information was not contained in task order files.
- The contract-level documentation did not name 69 percent of the employees proposed for task-order work, including six managers; 46 percent of all consultants and subcontractors named in the task orders were not named and approved in either the contract or contract-level modifications.
- We could not properly account for many contractor employees named in the task orders. Of the 178 employees named in task-order files, 46 lacked labor classifications. Task orders provided some sort of description for most named employees, but we were unable to find resumes for 158 of 178 employees. Five employees named in the task orders lacked descriptions or resumes.

We also noted problems involving contractor personnel in our focused review of task order 25 and invoices. Task order 25 documentation did not name any of the 23 employees billed in the invoices. Of these 23 employees, 9 accounted for 70 labor hours and \$10,169 charged, but none of the 9 employees were named anywhere in the contract documentation. In addition, the contractor charged 2,462 labor hours and \$370,765 to labor categories under a subcontractor not given subcontracting consent by EPA.

EPA Cannot Verify Accuracy of Invoiced Charges

We found invoice and MPR reviews lacking at the contracting officer and COR levels. The contracting officer told us that invoice review was conducted solely by the CORs. The COR for task order 25 did not document his review of MPRs, invoices or deliverables. Analysis of monthly invoice subsamples revealed

problems with labor, G&A and subcontractor costs. Overall, we found that the contracting officer and the COR were unable to track invoiced costs against activities reported in MPRs. OAM management confirmed that it does not require contracting personnel to verify invoices. Specifically, it was the contractor's responsibility to ensure that the invoices were correct.

Labor Costs

Review of task order 25 labor invoices disclosed the following questionable costs:

- The task order did not list any of the 23 employees named in the invoices, and nine employees (accounting for 70 labor hours and \$10,169 charged) were not named elsewhere in the contract file.
- The contractor charged 2,462 labor hours and \$370,765 to labor categories under a subcontractor not given subcontracting consent by EPA, which accounted for 86 percent of labor cost.
- In two instances, contractor employees charged for labor at a higher-paying labor category than the category listed for the employee in the contract file. For two other contractor employees, labor rates inexplicably increased between monthly invoices. There is no documentation to show that the contracting officer approved these increases.

When we noted that work was billed by a subcontractor whose name never appeared in the approved subcontractor list, the contracting officer and COR both explained that the subcontractor had been previously known by another name that was listed. When we asked the contracting officer about verification of the subcontractor name change, we were provided with a 2010 letter from the subcontractor giving notice of a name change. However, the previous name did not match the name of the approved subcontractor in the contract. No name change was documented in a contract modification. When we asked why there was no modification to explain the name change, the COR said that as long as he knew the subcontractor the lack of documentation did not concern him.

The contracting officer for the selected contract had little involvement in contract administration and delegated most duties, including invoice review, to the program office CORs. The COR for task order 25 relied on informal methods to determine whether the EPA was properly invoiced and contract specifications for deliverables were met. However, the COR did not document the review of invoices or the contractor's monthly progress. Consequently, the effectiveness of the COR's review cannot be verified.

In the absence of consistent documentation on the contractor's monthly progress and the quality of deliverables, the EPA is at risk of not knowing whether: (1) contractor performance was adequate, (2) the contractor was performing work within an estimated cost, or (3) properly qualified individuals were performing the work.

In the event another COR has to take over this task order, there is no documentation of past performance with which the new COR can verify the qualifications of contractor personnel or the quality of the deliverables.

G&A Costs

We found the agency vulnerable to being double charged for G&A expenses. The contract language not only states that G&A expenses should be calculated into established labor rates, the language also establishes that "G&A/material-handling expenses" for other direct costs may also be applied. The additional G&A expenses listed in the invoices are in a separate section and unrelated to either the labor hour or the other direct costs sections. Furthermore, these charges are not explained elsewhere in the MPRs or invoices. When asked, the contracting officer was unable to clarify these issues. Based on the invoices we sampled for task order 25, we found \$5,590 in questionable G&A expenses.

Subcontractor Costs

The lack of proper oversight created vulnerability to subcontractor overcharges. The contract states that invoiced charges for subcontracts shall be further detailed in a supporting schedule that shows major cost elements for each subcontract. However, we were unable to locate any such detail in the invoices. In addition, two of the three subcontractors named in the MPRs were not listed in contract documentation as approved subcontractors. Based on the invoices we sampled for task order 25, we found \$163,969 in questionable subcontractor charges.

EPA Does Not Require the Contractor to Justify Lagging Costs

We could not track invoiced costs against activities reported in corresponding MPRs. For subcontractor labor, numerical labor hour estimates were not supplied alongside the work summaries from MPR subcontractors. When supplied for contractor labor, these estimates were exceeded by invoiced amounts. Specifically, tracking expenses was confounded by the accumulation of "lagging costs," which were defined by the contracting officer as costs that have been incurred during the billing period associated with the invoice but have not yet been included in the invoice.

However, we found repeated instances where invoices would partially cover expenses from previous reporting periods without stating to which activities or reporting periods the invoiced quantities applied. As a result, it was not possible to match any invoiced charge with any specific activity described in a current or previous MPR—making it difficult to determine if the charges are legitimate.

The EPA's contracting personnel were unable to adequately explain these issues. The COR for task order 25 said lagging costs were tracked informally (i.e., the COR used professional knowledge of material costs, and discerned the quality of deliverables and matched them to the labor categories billed). However, the COR could not provide documentation to demonstrate the accuracy of this method. When asked, the contracting officer showed a lack of understanding with respect to how lagging costs were actually tracked.

Task Order 25 Deliverables Were Vaguely Defined, Outside of Scope and Untimely

The task order 25 file did not clearly describe expected deliverables. The deliverables were delayed, subject to vague timelines, and at times progress toward the completion of the deliverables was inadequately explained. The EPA repeatedly modified task order 25 to increase funding. From an initial cost ceiling of \$310,917, task order 25 costs grew to over \$2,000,000, and the period of performance was extended by almost 3 years. Task order 25 closed without all deliverables being met, and another task order was opened, in part, to address lingering items.

We found that task order 25 paperwork was too disorganized to clearly determine task order deliverables. The agency never specified which of the three SOWs present in the task order 25 file was being followed (each SOW specified different deliverables). When the EPA issued its proposal request for task order 25, the agency included a preliminary SOW for prospective contractors. The contractor also submitted a more detailed, tentative SOW as part of its proposal to win task order 25. The EPA's official task order documentation makes no mention of the contractor's SOW, but includes a copy of the EPA's preliminary SOW. In addition, we found a revised contractor-prepared SOW with the paperwork for task order modification 2, but the EPA modification documentation again failed to reference this revision.

The COR for task order 25 did not ensure that contractor deliverables were consistent with the deliverables listed in the SOWs. For instance, without a contracting officer's endorsement, the COR approved the addition of two deliverables outside of the SOWs. The COR also approved the removal of two deliverables without a contracting officer's endorsement. There was no

documented contracting officer's approval for either of these actions in the task order 25 file. By authorizing the completion of deliverables not listed in the SOWs, and by agreeing to cancel deliverables that were in fact listed in the SOWs, the COR made unauthorized commitments.

Deliverables were plagued with delays and uncertain timelines. In the MPRs made available to us, we found that four draft subtask-level deliverables were at least 18 months late. The contractor failed to supply delivery dates for six other draft deliverables within the same subtask. Revised and final deliverables within this subtask were due within 2 weeks of receiving comments. However, these deadlines are not discernible because the MPRs do not include the dates the comments were received. As of the projected completion date for task order 25, one final deliverable had not been received.

We found that deliverables associated with another subtask could not be clearly tracked with the information we were given. Numerous subtasks described in the MPRs were never attributed to their applicable SOW task or subtask. In addition, there was nothing in the MPRs to suggest that another task had been completed or any of the deliverables supplied.

The contracting officer for the selected contract did not properly administer the contract and oversee the work being conducted by the COR. The contracting officer seemed unaware of the actions taken by the COR for task order 25, and explained that the Office of Air and Radiation preferred that contracting officers not contact CORs directly but instead communicate through an Office of Air and Radiation contract-level COR. Although the selected contract was in its final few months, the contracting officer had not met the task order 25 COR in person at the time of our review, even though both individuals were located in Washington, D.C.

Other Issues

During the course of our review, we identified problems beyond those associated with our objectives.

Contract Files Were Incomplete

We found a lack of proper records management for the selected contract. The maintenance of complete and accurate project files is essential for managing all contractor work. The FAR provides instruction for what contract files should contain. The EPA's *Contract Management Manual* lists contracting officer responsibilities, which include maintaining the official contract files through contract closeout. FAR 4.801(b) states that the documentation in files shall be sufficient to constitute a complete history of the transaction for the purpose of:

- Providing a complete background as a basis for informed decisions at each step in the acquisition process.
- Supporting actions taken.
- Providing information for reviews and investigations.
- Furnishing essential facts in the event of litigation or congressional inquiries.

FAR 4.803(a) and 4.803(b) provide examples of records normally contained in contract files. These records include a copy of the contract and all modifications, performance and payment documents, documents pertaining to actions taken by the contracting officer, quality-assurance documents, and cross-references to other pertinent documents filed elsewhere.

The contracting officer was unable to locate or produce copies of the following documentation:

- The original, signed contract.
- Signed, contract-level modifications.
- MPRs and associated invoices for the years *prior* to the contracting officer's assignment to the contract.
- The MPR and associated invoice for April 2010 (part of the year's worth of MPRs and associated invoices that we requested for review), during which the contracting officer was assigned to this contract.

When the contract file is incomplete, the ability to make informed decisions about a contract is compromised, increasing the risk of waste and fraud. For example, without MPRs, the EPA cannot verify whether the \$25.05 million paid was appropriate. Similarly, the EPA cannot check approved subcontractor identities and subcontracting procedures against those proposed for task orders without a copy of the contract file and modifications.

Determination and Findings Document Did Not Justify Use of T&M Contract

A determination and findings document is necessary to use a T&M contract. However, the determination and findings lacked elements required to justify the use of a T&M contract.

FAR 16.601(d)(1) states that a T&M contract may be used only if the contracting officer prepares a determination and findings that says no other contract type is suitable. However, the determination and findings document made no mention of T&M and concluded that the contract be awarded on a fixed rate, indefinite-delivery/indefinite-quantity basis.

Moreover, the determination and findings must be approved by the head of the contracting activity when the contract base period (plus any optional periods) exceeds 3 years, which was the case with the selected contract. The “head of the contracting activity” is a role assigned to the director of OAM in Section 1.2.4(D) of the EPA’s *Contract Management Manual*. In the case of the selected contract, the determination and findings document was never approved by the head of contracting, but by a previous contracting officer.

In addition, FAR 12.207(c)(3) states that if an indefinite-delivery contract only allows for the issuance of orders on a T&M or labor-hour basis, the determination and findings must be executed to support the basic contract and: (1) explain why providing for an alternative firm, fixed price or fixed price with an economic price adjustment pricing structure is not practicable; and (2) be approved one level above the contracting officer. The EPA never addressed these aspects.

EPA staff said T&M was necessary for this contract because contract task orders contained too many unknown and unforeseen factors. The OIG agrees that firm, fixed-price contracts lend themselves to a well-defined scope of work and that not all tasks can be firm, fixed price. However, we do not agree with the EPA that the contract did not lend itself to firm, fixed pricing, given how many years the same services have been performed. The lack of proper contract planning and oversight on the part of OAM and the program office resulted in a determination and findings that inadequately justified the use of the T&M contract. Therefore, the EPA is not taking the required steps to show that it is using fixed-price contracting to the maximum extent possible.

Government Surveillance Plan Was Never Created

The EPA did not create a government quality assurance surveillance plan for this contract although the FAR requires one for T&M contracts. When asked why there was no surveillance plan, the contracting officer responded that the contract clauses constitute the surveillance plan. We believe the contract clause does not provide surveillance, but rather documents contract requirements. In the absence of a government surveillance plan, there is a lack of assurance that costs were fair and reasonable, that work was performed to government standards, or that deliverables described in the SOWs were delivered by the contractor as agreed to in the contract.

Task Order 25 COR Improperly Authorized Disposal of Government Property

The task order 25 COR improperly authorized the disposal of government property. At the conclusion of a project, the COR authorized the foreign parties using the supplies to keep or sell property too expensive to ship back to the United States or deemed beyond acceptable re-use. We found no documented inventory of contractor-purchased materials or records showing disposal actions. The contracting officer did not know the COR had given away the property until the contractor relayed the information.

FAR 45.402(b) establishes that, under a T&M contract, the government acquires title to all property for which the contractor is entitled to reimbursement as a direct item of cost under the contract. Under EPAAR Section 1552.245–70(b)(10), the contractor is required to update all property records to show disposal action. A corresponding clause was found in the contract as well.

CORs may perform only those functions appointed to them and must not take any action reserved for the contracting officer—such as the disposal of government property. The COR appointment memo, signed by the COR for task order 25, clearly forbids the COR from authorizing delivery or disposition of government-furnished property. The contracting officer for the selected contract did not properly administer the contract and oversee the work being conducted by the COR.

Conclusions

For the T&M contract reviewed, the EPA cannot determine the accuracy of invoiced charges. The EPA did not properly keep contract files, and had no formal process to ensure the integrity of contract files when they were transferred between contracting officers. In addition, OAM did not properly oversee aspects of the contract's pre-award phase, improperly justifying the use of a T&M contract and failing to include the FAR-required government quality assurance surveillance plan. The EPA conducted almost no contract management after the contract was awarded because the contracting officer had little involvement in contract administration, choosing instead to delegate most tasks to the CORs. Given the lack of oversight, contract administration and documentation, the EPA cannot verify if the contractor provided qualified staff for the execution of the selected contract.

Based on the small number of invoices we sampled for task order 25, we found questionable costs, including G&A expenses totaling \$5,590 and subcontractor charges totaling \$163,969.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management:

1. Require that activities, personnel and subcontractors proposed by contractors at the contract and task order levels be officially endorsed in task order documentation.
2. Require that changes in contractor personnel and subcontractors at the contract and task order levels are officially established by modification.
3. Require that CORs document a thorough and consistent review of work plans, MPRs, invoices, receipts and deliverables.
4. Beginning with the questionable G&A expenses (\$5,590) and subcontractor charges (\$163,969) in the invoices we sampled, conduct a review of all invoices from contract EP-W-07-067 to determine if the EPA overpaid for G&A costs, other direct costs, lagging costs and subcontracting costs.
5. Develop and implement procedures to maintain a complete contract file when transferred between contracting officers.
6. Require that T&M contracts abide by FAR requirements, such as having a determination and findings document and a government quality assurance surveillance plan.
7. Conduct a contract-wide review of contract EP-W-07-067 to determine if government property was improperly disposed.
8. Develop and implement new or additional training for EPA acquisition personnel to communicate new requirements or expectations that arise from the recommendations and findings in this report.

Agency Comments and OIG Evaluation

The action official concurred with recommendations 3, 4, 5, 6, 7 and 8 but did not provide a position (agreement or disagreement) for recommendations 1 or 2. We consider all eight recommendations to be unresolved. For recommendations 4 and 7, the agency did not supply an estimated completion date for its planned corrective actions. Recommendations 1, 2, 3, 5, 6 and 8 require corrective action revisions along with estimated completion dates once acceptable corrective actions are identified. The agency's comments on the draft report are in appendix A and the OIG's detailed responses to the agency's draft report comments are in appendix B.

Prior to issuing this final report, we met with OARM staff and officials to discuss their draft report comments, communicate the OIG's information needs, and attempt to reach resolution on the recommendations. However, OARM could not provide the OIG the additional information without repeated extensions, leading to delays in issuing our report. The agency needs to address the unresolved recommendations in its response to the final report.

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	15	Require that activities, personnel and subcontractors proposed by contractors at the contract and task order levels be officially endorsed in task order documentation.	U	Assistant Administrator for Administration and Resources Management			
2	15	Require that changes in contractor personnel and subcontractors at the contract and task order levels are officially established by modification.	U	Assistant Administrator for Administration and Resources Management			
3	15	Require that CORs document a thorough and consistent review of work plans, MPRs, invoices, receipts and deliverables.	U	Assistant Administrator for Administration and Resources Management			
4	15	Beginning with the questionable G&A expenses (\$5,590) and subcontractor charges (\$163,969) in the invoices we sampled, conduct a review of all invoices from contract EP-W-07-067 to determine if the EPA overpaid for G&A costs, other direct costs, lagging costs and subcontracting costs.	U	Assistant Administrator for Administration and Resources Management		\$169	
5	15	Develop and implement procedures to maintain a complete contract file when transferred between contracting officers.	U	Assistant Administrator for Administration and Resources Management			
6	15	Require that T&M contracts abide by FAR requirements, such as having a determination and findings document and a government quality assurance surveillance plan.	U	Assistant Administrator for Administration and Resources Management			
7	15	Conduct a contract-wide review of contract EP-W-07-067 to determine if government property was improperly disposed.	U	Assistant Administrator for Administration and Resources Management			
8	15	Develop and implement new or additional training for EPA acquisition personnel to communicate new requirements or expectations that arise from the recommendations and findings in this report.	U	Assistant Administrator for Administration and Resources Management			

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

Agency Response to Draft Report



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

DEC 9 2013

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Response to Draft Audit Report OPE-FY11-0013: *Weak Contract Management and Oversight Put EPA at Risk of Not Receiving Services for Which the Agency Paid*

FROM: Craig E. Hooks, Assistant Administrator

TO: Carolyn Copper, Assistant Inspector General
Office of Program Evaluation

OARM has reviewed draft OIG audit OPE-FY11-0013, and provides the following response to audit findings and recommendations.

Recommendation 1: Require that activities, personnel and subcontractors proposed by contractors at the contract and task order levels be officially endorsed in task order documentation.

Recommendation 2: Require that changes in contractor personnel and subcontractors at the contract and task order levels are officially established by modification.

OARM Response:

OARM proposes the following alternative corrective actions to resolve this recommendation.

The OIG's findings and recommendations do not reflect contract terms and conditions. The OIG references a Federal Acquisition Regulation clause (52.232-7 "Payments Under Time-and-Materials and Labor-Hour-Contracts") not used in the audited contract. EPAAR 1552.232-73 "Payments – fixed rate services contract" governed the invoice review and approval process in the contract.

In spite of this disconnect between the contract terms and conditions and the audit, the EPA is assessing policies and clauses related to EPAAR 1552.232-73 for consistency with FAR policies and related clauses governing time-and-materials and labor-hour contracts. This assessment will ensure consistency with the FAR, including the requirements for verifying personnel qualifications which may be prescribed in contracts, during the invoice review and approval process.

Additionally, as acknowledged on other recent OIG audits of fixed-rate contracts, EPA is developing performance-based contracting guidance and associated training. This guidance will prescribe that labor categories be defined by duties and responsibilities rather than by personnel qualifications, which will mitigate the circumstances associated with this finding.

Finally, for key personnel identified in accordance with contract terms and conditions, pursuant to EPAAR clause 1552.237-72 “Key Personnel” individual staff qualifications are already verified prior to award, and also in instances where the contractor may replace staff.

Based upon the above explanation, OARM offers these alternative corrective actions to resolve this recommendation.

Recommendation 3: Require that Contracting Officer Representatives document a thorough and consistent review of work plans, Minimal Program Requirements, invoices, receipts and deliverables.

OARM Response:

OARM agrees and has already implemented the following policies which address the circumstances supporting this recommendation. These policies ensure agency CORs consider their contract management responsibilities (which includes payment) as part of the acquisition planning process, and receive training on the proper review and disposition of invoices.

1. OARM implemented Interim Policy Notice (IPN) 12-03 “Acquisition Planning” on October 14, 2013, at <http://oamintra.epa.gov/node/8?q=node/158>. Although acquisition planning is a pre-award activity, decisions made in the acquisition planning phase may either hinder or facilitate post-award contract management activities. A critical goal of Interim Policy Notice 12-03 is to ensure proper acquisition planning occurs in order to result in well defined requirements that will enhance the agency’s ability to receive mission critical goods and services, and ensure those goods and services meet contract performance requirements. In the context of audit findings, IPN 12-03 includes a discussion on service contracting.
2. Additionally, on September 27, 2013, OAM issued IPN 13-03 “EPA Federal Acquisition Certification for Contracting Officer’s Representatives Three-Tiered Program” at <http://oamintra.epa.gov/node/8?q=node/158>. This policy establishes EPA’s COR certification and training requirements beginning in October 2013, and contains a requirement for CORs to

take four Continuous Learning Points in the financial management of contracts, to either obtain or maintain certification. This class is designed to assist CORs on the financial management of contracts by providing basic knowledge and advice for managing contract funds during the invoice payment and close-out processes.

3. Lastly, OARM has begun developing a Contract Management Plan Guide which is a logical follow-on to the above-described acquisition planning policy, and will establish processes and procedures in support of post-award contract administration activities.

OARM will use the Self-Assessment and Peer Review components of the Balanced Scorecard Performance Measurement and Management Program to monitor implementation and compliance with these policies, and believes these corrective actions fully satisfy the above recommendation.

Recommendation 4: Beginning with the questionable G&A expenses (\$5,590) and subcontractor charges (\$163,969) in the invoices we sampled, conduct a review of all invoices from contract EP-W-07-067 to determine if the EPA overpaid for G&A costs, other direct costs, lagging costs, and subcontracting costs.

OARM Response:

OARM agrees with this recommendation, and will initiate an internal financial management review of contract EP-W-07-067, and take action based upon the review results. The FMR objectives are attached. OARM believes that this corrective action fully satisfies the above recommendations.

Recommendation 5: Develop and implement procedures to maintain a complete contract file when transferred between contracting officers.

Recommendation 6: Require that Time and Materials contracts abide by FAR requirements, such as having a determination and findings document and a government quality assurance surveillance plan.

Recommendation 8: Develop and implement new or additional training for EPA acquisition personnel to communicate new requirements or expectations that arise from the recommendations and findings in this report.

OARM Response:

OARM agrees and has already implemented the following policies which address the circumstances supporting these recommendations.

With regard to contract file documentation, OARM has self-identified inadequate file documentation as a recurring finding under the BSC PMMP Peer Review program, and has directed a number of corrective actions. Updated policies include excerpts from the OAM Acquisition Handbook “Update to Acquisition Handbook 4.1 Reviews, Concurrences, and Checklists” (entire document at <http://oamintra.epa.gov/node/47>, and updated via IPN 12-03 “Acquisition Planning”), which contain contract checklists of documents to be filed in the official contract file.

With regard to ensuring T&M contracts are supported by a determination and findings and quality assurance surveillance plan, again the above described policies address both these requirements. The OAM Acquisition Handbook 4.1 update includes a level above review for all actions (item 2), and Service Center Manager approval for D&F’s in support of T&M contracts (item 23).

Additionally, IPN 12-03 “Acquisition Planning”, includes guidance on contract surveillance under service contracts. Lastly, OARM has begun developing a Contract Management Plan Guide which is a logical follow-on to the above-described acquisition planning policy, and will establish procedures in support of post-award contract administration activities, including contract surveillance.

With regard to communicating and training acquisition personnel on these policies, OAM has already been using the self-assessment and peer review components of the BSC PMMP to identify knowledge and training weaknesses among agency staff, and has implemented solutions (training, policy) to address those shortcomings. OARM will continue to monitor and ensure compliance with these policies through the self-assessment and peer review components of the BSC PMMP.

Based upon the above discussion, OARM believes these corrective actions fully satisfy the above recommendation.

Recommendation 7: Conduct a contract-wide review of contract EP-W-07-067 to determine if government property was improperly disposed.

OARM Response:

OARM agrees with this recommendation, and will work with OARM /FMSD to investigate property disposition on the above contract, and take action based upon review results. Accordingly, OAM believes this corrective action fully satisfies the above recommendation.

Please contact John Bashista, director, Office of Acquisition Management at (202) 564-4310 if you have any questions regarding this response.

Attachment

cc:

Eric Lewis

Byron Shumate

Nanci Gelb

John Bashista

Lisa Maass

John Showman

Steve Blankenship

Brandon McDowell

Marian P. Cooper

OIG Response to Agency Comments

To address the agency's comments, we broke its responses to the various recommendations into multiple parts. A breakdown of the agency comments and our responses to those comments follow.

Recommendation #1: Require that activities, personnel and subcontractors proposed by contractors at the contract and task order levels be officially endorsed in task order documentation.

Agency Response: OARM proposes the following alternative corrective actions to resolve this recommendation:

1.1. "The EPA is assessing policies and clauses related to EPAAR 1552.232-73 for consistency with FAR policies and related clauses governing time-and-materials and labor-hour contracts. This assessment will ensure consistency with the FAR, including the requirements for verifying personnel qualifications which may be prescribed in contracts, during the invoice review and approval process."

1.2. "Additionally, as acknowledged on other recent OIG audits of fixed-rate contracts, EPA is developing performance-based contracting guidance and associated training. This guidance will prescribe that labor categories be defined by duties and responsibilities rather than by personnel qualifications, which will ensure consistency with the FAR, including the requirements for verifying personnel qualifications which will mitigate the circumstances associated with this finding."

1.3. "Finally, for key personnel identified in accordance with contract terms and conditions, pursuant to EPAAR clause 1552.237-72 "Key Personnel" individual staff qualifications are already verified prior to award, and also in instances where the contractor may replace staff."

OIG Evaluation for Recommendation 1: The recommendation is unresolved.

Based on the information provided, it is not clear how the information addresses the intent of the recommendation:

- **Proposed Action 1.1:** The OIG agrees that the agency should require verification of personnel qualifications, including during the invoice review and approval process. However, it is not clear how the proposed consistency review between the FAR and EPAAR addresses our finding, as neither require task order awards to clearly identify activities, personnel and subcontractors.
- **Proposed Action 1.2:** It is unclear how developing performance-based contracting guidance will mitigate the circumstances associated with this finding. Contract EP-W-07-067 is a T&M contract, not a performance-based contract.
- **Proposed Action 1.3:** The OIG agrees that EPAAR 1552.237-72 provides a mechanism for replacement and establishment of key personnel at the contract level. However, it does not address key personnel, other contractor personnel or subcontractors at the task order level.

In its response to the final report, the agency needs to include the following:

- A statement of agreement or disagreement with the recommendation.
- Corrective actions which are responsive to the recommendation or clarification as to why the proposed actions are responsive.
- An estimated completion date for any planned corrective actions.

Recommendation #2: Require that changes in contractor personnel and subcontractors at the contract and task order levels are officially established by modification.

Agency Response: OARM proposes the following alternative corrective actions to resolve this recommendation:

2.1. "The EPA is assessing policies and clauses related to EPAAR 1552.232-73 for consistency with FAR policies and related clauses governing time-and-materials and labor-hour contracts. This assessment will ensure consistency with the FAR, including the requirements for verifying personnel qualifications which may be prescribed in contracts, during the invoice review and approval process."

2.2. "Additionally, as acknowledged on other recent OIG audits of fixed-rate contracts, EPA is developing performance-based contracting guidance and associated training. This guidance will prescribe that labor categories be defined by duties and responsibilities rather than by personnel qualifications, which will ensure consistency with the FAR, including the requirements for verifying personnel qualifications, which will mitigate the circumstances associated with this finding."

2.3. "Finally, for key personnel identified in accordance with contract terms and conditions, pursuant to EPAAR clause 1552.237-72 "Key Personnel" individual staff qualifications are already verified prior to award, and also in instances where the contractor may replace staff."

OIG Evaluation for Recommendation 2: The recommendation is unresolved.

Based on the information provided, it is not clear how the information addresses the intent of the recommendation:

- **Proposed Action 2.1:** The OIG agrees that the agency should require verification of personnel qualifications, including during the invoice review and approval process. However, it is not clear how the proposed consistency review between the FAR and EPAAR addresses our finding that personnel and subcontractors used in task orders were difficult to discern.
- **Proposed Action 2.2:** It is unclear how developing performance-based contracting guidance will mitigate the circumstances associated with this finding. Contract EP-W-07-067 is a T&M contract, not a performance-based contract.
- **Proposed Action 2.3:** The OIG agrees that EPAAR 1552.237-72 provides a mechanism for replacement and establishment of key personnel at the contract level. However, it does not address (1) contractor personnel or subcontractors at the contract level; or (2) key personnel, other contractor personnel or subcontractors at the task order level.

In response to the final report, the agency needs to include the following:

- A statement of agreement or disagreement with the recommendation.
- Corrective actions which are responsive to the recommendation or clarification as to why the proposed actions are responsive.
- An estimated completion date for any planned corrective actions.

Recommendation #3: Require that CORs document a thorough and consistent review of work plans, MPRs, invoices, receipts and deliverables.

Agency Response: “OARM agrees and has already implemented the following policies which address the circumstances supporting this recommendation. These policies ensure agency CORs consider their contract management responsibilities (which includes payment) as part of the acquisition planning process, and receive training on the proper review and disposition of invoices.”

3.1. “OARM implemented Interim Policy Notice (IPN) 12-03 “Acquisition Planning” on October 14, 2013, at <http://oamintra.epa.gov/node/8?q=node/158>. Although acquisition planning is a pre-award activity, decisions made in the acquisition planning phase may either hinder or facilitate post-award contract management activities. A critical goal of Interim Policy Notice 12-03 is to ensure proper acquisition planning occurs in order to result in well defined requirements that will enhance the agency’s ability to receive mission critical goods and services, and ensure those goods and services meet contract performance requirements. In the context of audit findings, IPN 12-03 includes a discussion on service contracting.”

3.2. “Additionally, on September 27, 2013, OAM issued IPN 13-03 “EPA Federal Acquisition Certification for Contracting Officer’s Representatives Three-Tiered Program” at <http://oamintra.epa.gov/node/8?q=node/158>. This policy establishes EPA’s COR certification and training requirements beginning in October 2013, and contains a requirement for CORs to take four Continuous Learning Points in the financial management of contracts, to either obtain or maintain certification. This class is designed to assist CORs on the financial management of contracts by providing basic knowledge and advice for managing contract funds during the invoice payment and close-out processes.”

3.3. “Lastly, OARM has begun developing a Contract Management Plan Guide which is a logical follow-on to the above-described acquisition planning policy, and will establish processes and procedures in support of post-award contract administration activities.”

3.4. “OARM will use the Self-Assessment and Peer Review components of the Balanced Scorecard Performance Measurement and Management Program to monitor implementation and compliance with these policies.”

OIG Evaluation for Recommendation 3: The recommendation is unresolved.

Based on the information provided, it is not clear how the information addresses the intent of the recommendation:

- **Proposed Action 3.1:** The OIG reviewed IPN 12-03 and could find nothing relevant to documentation of COR reviews. Further, the OIG found nothing in the discussion on service contracting in IPN 12-03 Section L relevant to the context of audit findings.
- **Proposed Action 3.2:** The OIG reviewed IPN 13-03 and found mandatory coursework for instructing CORs in financial management. This is not the same as requiring them to document their reviews.
- **Proposed Action 3.3:** The OIG is supportive of the formulation of a Contract Management Plan Guide. However, the assurance that it will establish processes and procedures in support of post-award contract administration activities, as described, does not provide sufficient detail to address COR documentation of reviews.
- **Proposed Action 3.4:** We appreciate OARM’s commitment to following up on its implementation and compliance with the Balanced Scorecard Performance Measurement and Management Program. However, as discussed above, the proposed actions do not meet the intent of the recommendation.

In response to the final report, the agency needs to include the following:

- Corrective actions which are responsive to the recommendation or clarification as to why the proposed actions are responsive.
- An estimated completion date for any planned corrective actions.

In the recommendation, and in the context of the report, the OIG uses MPRs as the abbreviation for monthly progress reports. However, in the agency's response, it refers to MPRs as minimal program requirements. The agency needs to take note of this, as it could affect its interpretation of the recommendation.

Recommendation #4: Beginning with the questionable G&A expenses (\$5,590) and subcontractor charges (\$163,969) in the invoices we sampled, conduct a review of all invoices from contract EP-W-07-067 to determine if the EPA overpaid for G&A costs, other direct costs, lagging costs, and subcontracting costs.

Agency Response:

"OARM agrees with this recommendation, and will initiate an internal financial management review of contract EP-W-07-067, and take action based upon the review results."

OIG Evaluation for Recommendation 4: The corrective action is acceptable, but the recommendation is unresolved until an estimated completion date is provided.

Recommendation #5: Develop and implement procedures to maintain a complete contract file when transferred between contracting officers.

Agency Response:

"OARM agrees and has already implemented the following which address the circumstances supporting this recommendation."

"With regard to contract file documentation, OARM has self-identified inadequate file documentation as a recurring finding under the BSC PMMP Peer Review program, and has directed a number of corrective actions. Updated policies include excerpts from the OAM Acquisition Handbook "Update to Acquisition Handbook 4.1 Reviews, Concurrences, and Checklists" (entire document at <http://oamintra.epa.gov/node/47>, and updated via IPN 12-03 "Acquisition Planning"), which contain contract checklists of documents to be filed in the official contract file."

OIG Evaluation for Recommendation 5: The recommendation is unresolved.

The OIG reviewed the updates to Acquisition Handbook 4.1 and was unable to locate any requirement specific to the recommendation to develop and implement procedures to maintain a complete contract file when transferred between contracting officers.

In its response to the final report, the agency needs to include the following:

- Corrective actions which are responsive to the recommendation or clarification as to why the proposed actions are responsive.
- An estimated completion date for any planned corrective actions.
- A separate narrative for each recommendation. The agency used one narrative to respond to recommendations 5, 6 and 8, and it is unclear which components of the proposed actions apply to which recommendations.

Recommendation #6: Require that T&M contracts abide by FAR requirements, such as having a determination and findings document and a government quality assurance surveillance plan.

Agency Response: “OARM agrees and has already implemented the following which address the circumstances supporting this recommendation.”

6.1. “With regard to ensuring T&M contracts are supported by a determination and findings and quality assurance surveillance plan, again the above described policies (in previous recommendations) address both these requirements. The OAM Acquisition Handbook 4.1 update includes a level above review for all actions (item 2), and Service Center Manager approval for D&F’s in support of T&M contracts (item 23).”

6.2. “Additionally, IPN 12-03 “Acquisition Planning”, includes guidance on contract surveillance under service contracts.”

6.3. “Lastly, OARM has begun developing a Contract Management Plan Guide which is a logical follow-on to the above-described acquisition planning policy, and will establish procedures in support of post-award contract administration activities, including contract surveillance.”

OIG Evaluation for Recommendation 6: The recommendation is unresolved.

Based on the information provided, it is not clear how the information addresses the intent of the recommendation:

- **Proposed Action 6.1:** Though the Assignment Handbook update requires Service Center Manager approval for a determinations and findings document in support of T&M contracts, the FAR (i.e., FAR 16.601(d)) requires a T&M determinations and findings document approval by the head of the contracting activity, not just the Service Center Manager.
- **Proposed Action 6.2:** The referenced guidance appears to apply solely to performance-based service contracts, not T&M contracts.
- **Proposed Action 6.3:** The OIG is supportive of the formulation of a Contract Management Plan Guide. However, the assurance that it will establish processes and procedures in support of post-award contract administration activities, as described, does not provide sufficient detail to address the need for contract surveillance.

In response to the final report, the agency needs to include the following:

- Corrective actions which are responsive to the recommendation or clarification as to why the proposed actions are responsive.
- An estimated completion date for any planned corrective actions.
- A separate narrative for each recommendation. The agency used one narrative to respond to recommendations 5, 6 and 8, and it is unclear which components of the proposed actions apply to which recommendations.

Recommendation #7: Conduct a contract-wide review of contract EP-W-07-067 to determine if government property was improperly disposed.

Agency Response: "OARM agrees with this recommendation, and will work with OARM /FMSD to investigate property disposition on the above contract, and take action based upon review results."

OIG Evaluation for Recommendation 7: The corrective action is acceptable, but the recommendation is unresolved until an estimated completion date is provided.

Recommendation #8: Develop and implement new or additional training for EPA acquisition personnel to communicate new requirements or expectations that arise from the recommendations and findings in this report.

Agency Response:

"OARM agrees and has already implemented the following policies which address the circumstances supporting these recommendations."

"With regard to communicating and training acquisition personnel on these policies, OAM has already been using the self-assessment and peer review components of the BSC PMMP to identify knowledge and training weaknesses among agency staff, and has implemented solutions (training, policy) to address those shortcomings. OARM will continue to monitor and ensure compliance with these policies through the self-assessment and peer review components of the BSC PMMP."

OIG Evaluation for Recommendation 8: The recommendation is unresolved.

Based on the information provided, it is not clear how the information addresses the intent of the recommendation. We are supportive of OARM's proactive self-identification of training needs, but the draft report has also identified training needs.

In response to the final report, the agency needs to include the following:

- Corrective actions which are responsive to the recommendation or clarification as to why the proposed actions are responsive.
- An estimated completion date for any proposed corrective actions.
- A separate narrative for each recommendation. The agency used one narrative to respond to recommendations 5, 6 and 8, and it is unclear which components of the proposed actions apply to which recommendations.

Distribution

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