



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Early Warning Report: National Service Center for Environmental Publications in Blue Ash, Ohio, Spent \$1.5 Million to Store Excess Publications

Report No. 14-P-0132

March 11, 2014



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Abbreviations

EPA U.S. Environmental Protection Agency
NSCEP National Service Center for Environmental Publications
OIG Office of Inspector General

Cover photo: An inside view of the EPA warehouse operated by a contractor in Blue Ash, Ohio. The image shows rows of boxed publications.
(EPA OIG photo)

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At a Glance

Why We Did This Review

The U.S. Environmental Protection Agency (EPA) leases a warehouse in Blue Ash, Ohio, from the General Services Administration. The warehouse is partially occupied by the National Service Center for Environmental Publications (NSCEP). The NSCEP maintains and distributes the EPA's environmental publications in hard copy, CD ROM and other multimedia formats. Inventory ranges from workbooks for schools to technical manuals.

We are conducting an audit to determine the extent to which the EPA's personal property stored in select warehouse space is being used effectively, accounted for, and disposed of by the agency. As a result of our warehouse visits, we are issuing this early warning report on the NSCEP because our concerns required immediate attention.

This report addresses the following EPA theme:

- *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/2014/20140311-14-P-0132.pdf

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What We Found

Our initial research of operations at the NSCEP warehouse in Blue Ash raised significant concerns about the number of publications stored at the facility versus the number of publications shipped from the facility each year. In particular:

- The NSCEP filled the warehouse with a considerable amount of printed material.
- The NSCEP needs to improve implementation of plans to reduce inventory.

The EPA could put over \$1.5 million to better use by reducing its inventory of excess publications at the NSCEP.

The agency is storing more than 6 years of publications at the warehouse. As of December 6, 2013, the warehouse had an inventory of 18,406,848 publications but averaged only 2,949,643 publications shipped on a yearly basis. Consequently, the EPA is tying up funds by storing and caring for excess stock at an annual cost of up to \$1.2 million. Additional costs include warehouse activities and other direct costs, plus up to \$359,000 in leasing costs.

We had observed another EPA warehouse operating as a long-term storage facility filled with considerable amounts of unusable furniture and other items. This was noted in a prior EPA Office of Inspector General (OIG) report, *Early Warning Report: Main EPA Headquarters Warehouse in Landover, Maryland, Requires Immediate EPA Attention* (Report No. 13-P-0272), issued May 31, 2013. The *Landover* report questioned the effectiveness of EPA oversight.

We believe that the agency should evaluate its publication-storage requirements to determine appropriate adjustments based on average shipments to customers, as well as appropriate adjustments based on providing shipments in a timely manner, to ensure effective storage utilization.

Agency Actions Taken

Following EPA OIG visits to the Blue Ash warehouse and several follow-up discussions with staff, the NSCEP reported that it recycled almost 2 million items, consisting of more than 140 tons of material, between June and October 2013.



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

THE INSPECTOR GENERAL

March 11, 2014

MEMORANDUM

SUBJECT: Early Warning Report: National Service Center for Environmental Publications in Blue Ash, Ohio, Spent \$1.5 Million to Store Excess Publications Report No. 14-P-0132

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

The U.S. Environmental Protection Agency (EPA), Office of Inspector General, is conducting an audit to determine the extent to which the EPA's personal property stored in select warehouse space is being used effectively, accounted for, and disposed of by the agency (Project No. OA-FY13-0248). This early warning report provides information obtained during our review of operations at the National Service Center for Environmental Publications (NSCEP), located at the Blue Ash, Ohio, warehouse facility. While we continue our ongoing audit of select warehouse spaces, we believe the agency should immediately address operational issues found at the NSCEP Blue Ash warehouse facility, as discussed in this early warning report.

The EPA office responsible for addressing the findings and issues in this report is the Office of Administration and Resources Management – Cincinnati.

If you or your staff have any questions, please contact Richard Eyermann, acting Assistant Inspector General for Audit, at (202) 566-0565 or eyermann.richard@epa.gov; or Mike Davis, Director, Efficiency Audits, at (513) 487-2363 or davis.michaeld@epa.gov.

U.S. EPA Office of Inspector General

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Background



The U.S. Environmental Protection Agency (EPA) leases from the General Services Administration a 115,000-square-foot facility in Blue Ash, Ohio. The facility is divided into two separate operating spaces managed by different contractors at a lease cost of \$551,795 per year.

- One contract, awarded in 2010, manages the area of the warehouse for storing excess property used by various offices in the area, such as furniture and electronics, at a cost of up to \$153,000 per year.
- The second contract, awarded in 2011, manages the National Service Center for Environmental Publications (NSCEP) covered in this report. The NSCEP stores printed material, such as technical manuals and marketing items, at a cost of up to \$1.2 million per year.



Summary of Results for NSCEP

NSCEP's operations at the Blue Ash warehouse raised significant concerns regarding the amount of publications being stored at the facility versus what is shipped each year. In particular:



- NSCEP filled the warehouse with a considerable amount of printed material, including many years worth of agency publications.
- The NSCEP needs to improve implementation of plans to reduce inventory.

We observed another EPA warehouse operating as a long-term storage facility filled with considerable amounts of furniture and other items. This was noted in a prior EPA Office of Inspector General (OIG) report (Report No. 13-P-0272, issued May 31, 2013). The effectiveness of the EPA's oversight needs to be improved.



Criteria

- **Federal Property & Administrative Services Act of 1949** – Agencies shall:
 - Continuously survey property under their control to determine what may be excess property;
 - Transfer or dispose of such property as promptly as possible; and
 - As far as practicable, make reassignments of property among activities within the agency when such property is determined to be no longer required.
- **Office of Management and Budget Memo M-12-12** – Agencies must make more efficient use of the government’s real estate assets.
- **Office of Management and Budget Circular A-123** – Agencies must establish controls that reasonably ensure funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation



Storing Excess Publications

As of December 6, 2013, the NSCEP had more than 6 years worth of publications on hand. The NSCEP had:

- An inventory of 18,406,848 publications available.
- Shipped an average (last three fiscal years) of 2,949,643 publications yearly.

These numbers indicate that the NSCEP has an inventory turnover rate of materials on hand that far exceeds the demand.



Inventory Management

The NSCEP, in our opinion:

- Has an inventory management belief that it is better to have more than enough products on hand than to try to manage with just the amount of stock needed (that is, a culture of print-store-ship rather than print then ship).
- Is tying up funds in storing and caring for excess stock at a current annual contractor cost of up to \$1.2 million, and up to \$359,000 for the leased space.



Agency Actions Taken

After the OIG's initial visit in June 2013 and discussions on potential conditions found, the NSCEP reported that it recycled almost 2 million items, consisting of more than 140 tons of material, between June and October of 2013.



Conclusion

We believe that the agency should evaluate its publication storage requirements to effectively determine appropriate adjustments based on average shipments provided to customers, as well as based on providing such shipments in a timely basis to ensure effective storage utilization.

A full OIG report will be issued at the completion of our audit.



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