



At a Glance

Catalyst for Improving the Environment

Why We Did This Audit

We conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) is implementing its American Recovery and Reinvestment Act of 2009 Stewardship Plan for Superfund contracts as it relates to cost controls, and is using the results of financial monitoring reviews (FMRs) as a project management tool for Recovery Act Superfund contracts.

Background

The Recovery Act provided \$600 million in supplemental funding for Superfund remedial cleanups. As of August 2010, EPA's Superfund program expended \$246 million of the Recovery Act funds. EPA's stewardship plan specified monitoring functions related to cost controls for contracts. The Office of Acquisition Management's FMR program selectively reviews high-risk active contracts valued over \$5 million.

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/2011/20110131-11-R-0081.pdf

EPA Can Improve the Use of Financial Monitoring Reviews for Recovery Act Superfund Contracts

What We Found

EPA is implementing the monitoring functions established in the contracts functional area of the EPA Recovery Act stewardship plan. The stewardship plan is largely based on the U.S. Government Accountability Office's *Internal Control Standards*, the Office of Management and Budget's *Recovery Act Implementation Guidance*, and controls contained in EPA's *Contracts Management Manual*. These monitoring functions are standard internal controls EPA uses to manage contracts. EPA's implementation of these functions should help ensure that a high degree of accountability is associated with the investment of Recovery Act funds.

While EPA is implementing the stewardship plan in conducting FMRs, program staff are not always aware of the results of the FMRs and, therefore, cannot use the FMRs as a project management tool for Superfund projects funded by the Recovery Act. The Office of Acquisition Management's FMR report distribution guidance requires that the FMRs be distributed to contracting officers but not program staff. As a result, program staff do not always have the information they need to effectively manage their projects and perform invoice reviews. Program staff are at risk of approving ineligible invoiced costs because they do not have the knowledge of FMR cost-related issues that impact contract costs being billed.

Recommendation and Corrective Action Taken

We recommended in the draft report that the Assistant Administrator for Administration and Resources Management revise policies and procedures to ensure that FMR reports are distributed timely to all project officers, work assignments managers, and task order managers assigned to the contract impacted by the FMR, as well as those working on other active contracts with the same contractor. In response to the draft report, EPA agreed with our recommendation and said it will update its internal Financial Analysis and Oversight Standard Operating Procedures to require that FMR reports be distributed to cognizant contracting officers and project officers. The contracting officers and project officers will be advised to further disseminate the report(s) to all parties associated with the contract, including delivery order project officers, task order project officers, and work assignment managers. The Agency implemented the corrective action on October 22, 2010.