



OFFICE OF INSPECTOR GENERAL

*Catalyst for Improving the Environment*

## **Followup Review**

# **Office of Underground Storage Tanks Has Improved Contract Administration, But Further Action Needed**

**Report No. 2006-P-00012**

**February 28, 2006**

**Report Contributors:**

Doug LaTessa  
John Trefry

**Abbreviations**

EPA	Environmental Protection Agency
EPM	Environmental Program Management
LUST	Leaking Underground Storage Tank
OIG	Office of Inspector General
OUST	Office of Underground Storage Tanks



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We conducted this followup review on a 2004 audit of contract administration by the Environmental Protection Agency's (EPA's) Office of Underground Storage Tanks (OUST). We sought to determine whether OUST took sufficient actions regarding proper charging to appropriations, avoiding the loss of funding due to expiration of funds, and obligating funds with corresponding work assignments.

## Background

On March 31, 2004, we issued a report, *The Office of Underground Storage Tanks: Contract Administration and Performance Measurement Concerns* (2004-P-00014). This report disclosed OUST had inappropriately used and inefficiently managed contract funds.

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

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2006/20060228-2006-P-00012.pdf](http://www.epa.gov/oig/reports/2006/20060228-2006-P-00012.pdf)

## **Office of Underground Storage Tanks Has Improved Contract Administration, But Further Action Needed**

### **What We Found**

Of the nine corrective actions OUST proposed as a result of the previous review, it successfully implemented eight actions. In particular, OUST stopped obligating funds to contracts without identifying corresponding work. We commend OUST for successfully implementing these actions. However, while OUST provided Contract Management Manual training for its staff, as agreed, it did not have all required people attend the training.

During our followup review, we noted problems regarding properly charging to appropriations. Our prior report had concluded that \$134,000 in Leaking Underground Storage Tank (LUST) funds had been obligated to a contract but not expended, and that amount had increased to \$395,000 by March 2005. That amount represented potential missed opportunities for achieving environmental improvements. As a result of our followup review, OUST initiated a contract modification in November 2005 to deobligate and recertify these funds.

Also, OUST had not taken sufficient corrective action regarding \$140,004 in work paid for with LUST funds that should have been paid with Environmental Program Management funds. OUST initiated corrective action in February 2004, but erroneously used future year funds to pay for prior year services. For example, OUST paid for Fiscal Year 2002 services with Fiscal Year 2003/2004 funds. OUST initiated a modification in October 2005 to correct this situation.

### **What We Recommend**

We recommend that the OUST Director have staff regularly query EPA's financial systems to monitor the status of funds obligated, to enable deobligations when appropriate. We also recommend that the Director direct staff to not use future year appropriations to pay for services rendered in prior years, and to require that all appropriate staff attend training in appropriations. OUST concurred with our recommendations and agreed to monitor the status of its funds obligated to contracts on a monthly basis and to provide direction and training to its staff.



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

OFFICE OF  
INSPECTOR GENERAL

February 28, 2006

**MEMORANDUM**

SUBJECT: Office of Underground Storage Tanks Has Improved  
Contract Administration, But Further Action Needed  
Report No. 2006-P-00012

FROM: Carl A. Jannetti  
Director, Contract Audits *Carl A. Jannetti*

TO: Cliff Rothenstein  
Director, Office of Underground Storage Tanks

This report is a followup review of the contract administration issues discussed in Environmental Protection Agency (EPA) Office of Inspector General (OIG) Report No. 2004-P-00014, *The Office of Underground Storage Tanks: Contract Administration and Performance Measurement Concerns*, issued March 31, 2004.

This followup 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 the findings contained in the report do 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.

**Action Required**

Since you concurred with our recommendations and agreed to implement corrective actions, a report of action is not required. Therefore, we have closed this report in our tracking system as of the date of issuance. We held an exit conference on February 21, 2006 with the Office of Underground Storage Tanks (OUST). As a result of that conference, OUST agreed to send select staff to an Appropriations Law course.

We have no objections to the further release of this report to the public. For your convenience, this report will be available at <http://www.epa.gov/oig/>.

Should you have any questions regarding this report, please contact me at (215) 814-5800 or [Jannetti.carl@epa.gov](mailto:Jannetti.carl@epa.gov), or John Trefry, Assignment Manager, at (202) 566-2474 or [trefry.john@epa.gov](mailto:trefry.john@epa.gov).

## **Purpose**

We conducted this followup review on the contract administration issues discussed in a prior Environmental Protection Agency (EPA) Office of Inspector General (OIG) report, *The Office of Underground Storage Tanks: Contract Administration and Performance Measurement Concerns* (2004-P-00014), issued March 31, 2004. In response to the report, EPA's Office of Underground Storage Tanks (OUST) proposed nine corrective actions to better use and manage contract funds. Our followup objectives were to determine whether OUST, with respect to the two contracts previously reviewed, successfully implemented policies and procedures to:

- Ensure the appropriateness of charges to the Leaking Underground Storage Tank (LUST) and Environmental Program Management (EPM) appropriations;
- Avoid loss of funding due to expiration of funds; and
- Avoid obligating funds to contracts without identification of corresponding work assignments.

## **Scope and Methodology**

We performed this followup review from September to November 2005, in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our followup review included a site visit to OUST headquarters offices, where we met with OUST management and staff.

To determine the extent to which corrective actions had been implemented, we interviewed the OUST Project Officer, staff from the Office of Acquisition Management, and staff from the Office of General Counsel, and reviewed supporting documentation. To determine the amount of expired EPM appropriations and unliquidated LUST funds, we queried EPA's Financial Data Warehouse and confirmed the results with the Project Officer. We also queried the Financial Data Warehouse to determine the appropriations used to pay invoices.

To determine whether OUST had continued the practice of obligating funds to contracts without identifying corresponding work (parking funds), as well as implementing OUST's "pay as you go" process (fund work assignments and task orders as they are issued), we queried the Financial Data Warehouse to identify the obligations made to the contracts since the last review. We then reviewed corresponding contract modifications, work assignments, statements of work, and independent government cost estimates for each of those work assignments.

Our followup review, including our review of management controls, was limited to evaluating the proposed corrective actions for OUST's two contracts identified in the prior review. As such, a complete review of the applicable management controls related to OUST's contract administration was not relevant to our evaluation.

## **Results of Review**

Of the nine corrective actions OUST proposed as a result of the previous review, OUST implemented eight actions. In particular, regarding the third objective of this followup review,

OUST stopped obligating funds to contracts without identifying corresponding work (parking funds), and implemented its “pay as you go” process. Also, OUST successfully implemented new invoicing requirements for contractors and new funding processes for contracts, and improved its invoice payment process. We commend OUST for successfully implementing these actions. However, while OUST provided contract administration training for its staff, as agreed, it did not have all required people attend the training. Contract Management Manual training was provided to work assignment managers but not Project Officers and senior level managers within OUST, even though OUST noted in its corrective action plan that all would be required to take the training.

Regarding our followup objectives on the appropriateness of charges to appropriations and avoiding the loss of funding due to expiration of funds, we noted that while OUST had taken corrective actions, some problems remained. The prior OIG report concluded that \$134,000 of LUST money obligated to a contract had not been expended and would be unavailable without deobligation and recertification. These obligations increased to over \$395,000 by March 2005, because funds remaining on completed work assignments were not used or deobligated. This amount represents potential missed opportunities for achieving environmental improvements. As a result of our followup review, OUST initiated a contract modification in November 2005 to deobligate and recertify these funds. Details on the accumulation of the obligations subsequent to our prior review are shown in the following table.

**Unexpended LUST Funds Obligated to Contract**

Month Obligated	Unexpended Amount	Cumulative Amount	Months Idle*
June 2000	\$103,043	\$103,043	59
August 2000	36,288	139,331	57
September 2000	140,004	279,335	56
August 2003	3,127	282,462	21
December 2003	89,369	371,831	17
March 2004	1,804	373,635	14
November 2004	410	374,045	6
March 2005	21,045	395,090	2

\* Months Idle: The number of months from the month after the obligation was made through the end of the contract, May 2005.

Additionally, the prior OIG report had identified \$140,004 of LUST funds that were inappropriately used to pay invoices that should have been paid with EPM funds. OUST initiated a contract modification in February 2004 to reverse these payments. However, OUST did not have sufficient EPM funds for the fiscal years in which the original invoiced costs were rendered. Therefore, when OUST attempted to correct the problem previously reported, it erroneously paid for Fiscal Year 2002 services with Fiscal Year 2003/2004 EPM funds, and Fiscal Year 2003 services with Fiscal Year 2004/2005 EPM funds. OUST officials did not realize that, consistent with Title 31, U.S. Code, Section 1552, EPM funds available elsewhere in

the Agency should have been identified before using future year appropriations to pay for services rendered in prior years. OUST initiated a modification in October 2005 to correct this issue by identifying available EPM funds and then transferring expenses between fiscal years to enable it to properly pay the invoices.

OUST staff indicated they do not regularly monitor the Agency's financial systems to determine the status of obligated funds on its contracts. However, OUST queries the Agency's financial systems for the grants that it manages. OUST staff claimed that no one from EPA's Financial Management Center told them they could use the Financial Data Warehouse to run such queries for contracts.

## **Recommendations**

We recommend that the Director, Office of Underground Storage Tanks:

1. Have staff regularly query EPA's financial systems to monitor the status of funds obligated to OUST contracts so that they can deobligate and recertify funds when appropriate.
2. Direct staff to not use future year appropriations to pay for services rendered in prior years.
3. Require the Project Officer to attend training in the proper use of appropriations.

## **Agency Comments and OIG Evaluation**

OUST concurred with our recommendations and agreed to monitor the status of its funds obligated to contracts on a monthly basis and to provide direction and training to its staff. We consider the Agency's planned actions to be sufficient. The full text of EPA's response is in Appendix A.



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**  
WASHINGTON, D.C. 20460  
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OFFICE OF  
SOLID WASTE AND EMERGENCY  
RESPONSE

February 14, 2006

**MEMORANDUM**

**SUBJECT:** Office of Underground Storage Tanks Follow-up Review of Contract Administration

**FROM:** Susan Parker Bodine/s/  
Assistant Administrator

**TO:** Carl A. Jannetti  
Director, Contracts Audits

This is in response to the Draft Followup Report: *Office of Underground Storage Tanks (OUST) Has Improved Contract Administration, But Further Action Needed, Assignment No. 2005-001469*, dated January 18, 2006. We appreciate the opportunity to review the Report, and we concur with the three recommendations contained in the report. Our specific comments can be found in the attachment.

If you have any questions regarding this response, please contact Cliff Rothenstein at 703-603-7163.

Attachments

cc: Barry Breen, OSWER  
Renee Wynn, OSWER  
Johnsie Webster, OSWER  
Cliff Rothenstein, OUST  
Sammy Ng, OUST  
Judy Barrows, OUST  
Mark Barolo, OUST  
Lynn DePont, OUST

Office of Underground Storage Tanks (OUST)'s Response to the Recommendations:

1. Have staff regularly query EPA's financial systems to monitor the status of funds obligated to OUST contracts so that they can deobligate and recertify funds when appropriate.

OUST concurs. OUST will monitor its obligated contracts' status of funds using the Agency's Financial Data Warehouse on a monthly basis so that it can be determined if funds need to be deobligated and recertified as appropriate.

2. Direct staff to not use future appropriations to pay for services rendered in prior years.

OUST concurs. OUST will direct staff to not use future appropriations to pay for services rendered in prior years.

3. Require senior level managers and Project Officers to attend Contracts Management Manual training, as well as training in the proper use of appropriations.

OUST concurs. OUST is already following this recommendation. OUST's Deputy Office Director has oversight responsibility for contracts management. He is a certified Project Officer and has completed both the three-day Contracts Management Manual training and the one-day refresher Contracts Management Manual Recertification training course which is required every three years in order to maintain his contract management certification. Additionally, OUST's two Division Directors and OUST's Project Officer have completed similar training. (Please see the attached spreadsheet.)

It should also be noted that all of OUST's active contracts managers maintain their contracts certification with the three-year one-day recertification training.

All OUST employees, including its Senior-level managers and Project Officer, received informal training from EPA's Appropriations expert (from the Office of General Counsel) in May 2004 on the proper use of appropriations.

## ***Distribution***

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