



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

EPA's Contract Oversight and Controls Over Personal Computers Need Improvement

Report No. 11-P-0705

September 26, 2011

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Abbreviations

CTS	Customer Technology Solutions
EPA	U.S. Environmental Protection Agency
FAR	Federal Acquisition Regulation
FAS	Fixed Assets Subsystem
FY	Fiscal year
IFMS	Integrated Financial Management System
OARM	Office of Administration and Resources Management
OEI	Office of Environmental Information
OIG	Office of Inspector General
PAO	Property accountable officer
PMO	Property management officer
PUO	Property utilization officer

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At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We performed this review to determine whether the U.S. Environmental Protection Agency (EPA) has adequate controls for safeguarding personal computers. Specifically, we sought to determine (1) whether EPA has adequate controls in place for tracking and disposing of personal computers, and (2) the status of EPA-owned personal computers replaced under the Customer Technology Solutions (CTS) service contract.

Background

EPA's Office of Administration and Resources Management manages the Agency's personal property. During fiscal year 2009, EPA contracted its desktop computer services with the CTS service contract. The Office of Environmental Information has primary oversight of the contract.

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

The full report is at:
www.epa.gov/oig/reports/2011/20110926-11-P-0705.pdf

EPA's Contract Oversight and Controls Over Personal Computers Need Improvement

What We Found

EPA paid the CTS contractor a total of \$489,734 over an 11-month period for 3,343 seats—a standard seat includes a leased computer with accessories and technical support—not ordered by the Agency during the period. In addition, EPA did not accept the contractor's monthly asset management performance self-rating for over a year because of its nonperformance in properly accounting for and tracking assets. As a result, EPA should take action to reduce the minimum number of seats requirement in the CTS contract. If EPA does not make changes to the CTS contract, EPA may pay as much as \$1.4 million more through September 2012 for personal computer standard seats that it did not order, for a total potential payment of \$1.9 million for seats not ordered.

Because EPA did not safeguard and track personal computers to ensure proper replacement and disposal in accordance with property regulations, it cannot account for 638 personal computers valued at over \$1 million. EPA did not know the status of these personal computers, some of which may have been replaced under the CTS contract. *EPA's Personal Property Policy and Procedures Manual* outlines requirements for property staff to ensure the effective accountability, utilization, and disposal of personal property. EPA should improve controls for updating data in the fixed assets database, and should retain property acquisition documentation in accordance with retention requirements. In addition, the Agency should have a separation of duties in its property staff positions and consider assigning permanent property positions.

What We Recommend

We recommend that the Assistant Administrator for Environmental Information and Chief Information Officer review and/or modify the CTS contract to adjust the minimum standard seat requirement to eliminate monthly payments for CTS computers that EPA will not need. We recommend that the Assistant Administrator for Administration and Resources Management update the property manual to require the separation of duties in property staff positions and consider assigning permanent property positions throughout the Agency to ensure that there are safeguards over EPA's assets. We also recommend that the Assistant Administrator for Administration and Resources Management develop and implement processes that would (1) require property staff to routinely review and update the Fixed Assets Subsystem database, and (2) ensure that property staff adhere to records retention requirements. EPA disagreed with our first recommendation and we consider it unresolved and are working toward a resolution. EPA agreed with the remaining three recommendations.



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

THE INSPECTOR GENERAL

September 26, 2011

MEMORANDUM

SUBJECT: EPA's Contract Oversight and Controls Over Personal Computers
Need Improvement
Report No. 11-P-0705

FROM: Arthur A Elkins, Jr.
Inspector General

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

TO: Malcolm D. Jackson
Assistant Administrator for Environmental Information and
Chief Information Officer

Craig E. Hooks
Assistant Administrator for Administration and Resources Management

This is our report on EPA's controls over personal computers 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 on the subjects reported. Final determination on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated direct labor and travel costs for this report are \$191,519.

Action Required

The Agency disagreed with recommendation 1, and this recommendation is unresolved with resolution efforts in progress. The Agency provided an acceptable corrective action plan for recommendations 2, 3, and 4; these are still in an open status. Therefore, in accordance with EPA Manual 2750 and ongoing resolution efforts, you are required to provide a written response to recommendation 1, including a proposed corrective action plan, within 90 calendar days of the report date. In addition, in your 90-day response you may update the OIG on the implementation status of the agreed-to corrective actions for recommendations 2, 3, and 4. The response will be posted on the OIG's public website, along with our memorandum commenting on the response.

The 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 should not be released to the public; if the response contains such data, the data for redaction or removal should be identified. We have no objections to the further release of this report to the public. We will post this report to our website at <http://www.epa.gov/oig>.

If you or your staff have any questions regarding this report, please contact Paul Curtis at (202) 566-2523 or curtis.paul@epa.gov; or Wanda (Whitfield) Arrington, Project Manager, at (202) 566-2533 or whitfield.wanda@epa.gov.

Table of Contents

Chapters

1	Introduction	1
	Purpose	1
	Background	1
	Noteworthy Achievements.....	2
	Scope and Methodology.....	3
2	EPA Should Reduce the Minimum Quantity Required Under the CTS Contract.....	5
	Federal Acquisition Regulations Allow for Deductive Changes.....	5
	EPA Paid for Seats Not Used and Could Potentially Pay \$1.9 Million	6
	EPA Did Not Accept the Contractor’s Asset Management Performance Self-Ratings	7
	Conclusion.....	8
	Recommendation	8
	Agency Comments and OIG Evaluation.....	8
3	EPA’s Personal Computer Controls Need Continued Improvement.....	10
	EPA Could Not Account for Some Personal Computers	10
	EPA Did Not Update FAS.....	11
	EPA Did Not Retain Acquisition Documentation	11
	EPA Property Staff Hold Multiple Positions.....	11
	Conclusion.....	12
	Recommendations	12
	Agency Comments and OIG Evaluation.....	13
	Status of Recommendations and Potential Monetary Benefits.....	14

Appendices

A	Details on Scope and Methodology.....	15
B	OEI Response to Draft Report.....	16
C	OARM Response to Draft Report.....	18
D	Distribution	21

Chapter 1

Introduction

Purpose

We performed this review to determine whether the U.S. Environmental Protection Agency (EPA) has adequate controls for safeguarding personal computers. Specifically, we wanted to determine:

- Whether EPA has adequate controls in place to track and dispose of personal computers that are owned by EPA, and whether EPA has adequate oversight controls of computers provided through the Customer Technology Solutions (CTS) contract.
- The status of EPA-owned personal computers replaced under the CTS service contract during fiscal year (FY) 2009.

Background

Accountable Personal Property Management

The EPA Office of Administration and Resources Management (OARM) is responsible for providing direction to develop and establish an effective and efficient property program Agency-wide. Within OARM, the Agency property management officer ensures that all accountable personal property is maintained in the Integrated Financial Management System (IFMS) Fixed Assets Subsystem (FAS), and advises employees of their responsibilities to manage and account for government personal property. EPA defines accountable personal property as nonexpendable personal property with an acquisition cost of \$5,000 or greater, EPA-leased personal property, or property identified as a sensitive item. Sensitive items are personal property owned or leased by EPA that may be converted to private use or that has a high potential for theft, such as personal computers, cell phones, personal digital assistants, and cameras.

The *4832 EPA Personal Property Policy and Procedures Manual*, dated April 18, 2006, is the primary authoritative reference for property management. Property staffs manage personal property in 24 accountable areas nationwide, to include headquarters, regions, and laboratories. Each accountable area should have a property management officer (PMO), property accountable officer (PAO), and property utilization officer (PUO) who are responsible for ensuring that adequate and effective administrative controls are established for all personal property under their jurisdiction.

Customer Technology Solutions

The EPA Office of Environmental Information (OEI) has the primary oversight responsibility for the CTS service contract. As a Working Capital Fund service, the CTS service contract is an indefinite delivery/indefinite quantity contract with fixed rates for services that provides computers and technical support for end users. The contract period is from May 1, 2008, to August 21, 2012, with optional award terms extending through December 31, 2016.

During FY 2009, EPA began using the CTS contract to provide and coordinate technology end-user support and services for headquarters program offices and laboratories. Under the CTS contract, the Agency replaced over 11,000 computers from October 2008 to September 2009. The rapid replacement of EPA-owned computers with CTS computers heavily taxed headquarters accountable areas and outpaced EPA's efforts to update Agency property records in IFMS/FAS.

After the first 16 months of the contract's base period, starting in the 17th month, the contract requires EPA to purchase a monthly minimum of 12,000 standard seats, which includes a computer with accessories and technical support.

Noteworthy Achievements

In May 2010, EPA took immediate steps to locate property it could not account for that was reported during our annual financial statement audit. EPA conducted additional inventories in the 24 accountable areas and accounted for 1,332 items valued at \$4.7 million. In addition, an EPA official issued a letter to Agency senior management discussing the current property concerns and the need to ensure that necessary property officers are assigned for each accountable area and given the resources and support necessary to perform their functions effectively. For FY 2011, the Agency will place more emphasis on property during the A-123 internal control reviews. Additionally, EPA plans to address property controls nationwide by developing online training programs for property staff. In its response to our draft report, EPA noted that it has made significant progress toward improving the personal property program and mitigating vulnerabilities. For example, EPA has located an additional 96 items as of August 2011.

In addition, EPA stated that it continues to make significant resource investments to address end user dissatisfaction with the CTS deployments and/or other related concerns, as outlined in a previous OIG report (i.e., *EPA Needs to Improve Management Practices to Ensure a Successful Customer Technology Solutions Project*, Report No. 10-P-0194, August 23, 2010).

Scope and Methodology

We performed this review from February 4, 2010, through July 7, 2011,¹ at EPA headquarters in Washington, DC. We also visited field offices located in Atlanta, Georgia; Kansas City, Kansas; and Research Triangle Park, North Carolina. We conducted this review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis 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 objectives.

We did not evaluate the entire system of internal controls over personal or accountable property. We assessed internal controls related to the activities associated with EPA's personal computers. Specifically, we documented the Agency's procedures, including contract requirements, related to EPA's personal computers. We also reviewed the Federal Acquisitions Regulations (FAR) Sections 16 and 52, *EPA's Personal Property Policy and Procedures Manual*, and EPA's Record Retention Schedule 631. Appendix A contains a detailed discussion of our scope and methodology.

Prior EPA Office of Inspector General Reports

The EPA Office of Inspector General (OIG) has not performed any past audits of EPA's personal computers, but issued the following reports with findings related to personal property or CTS:

- *Audit of EPA's Fiscal 2010 and 2009 Consolidated Financial Statements*, Report No. 11-1-0015, November 15, 2010. This report noted that EPA headquarters could not account for certain personal property items in FY 2010 as required by *EPA's Personal Property and Procedures Manual*. The primary cause was that headquarters mid-level management was not knowledgeable about Agency property management procedures.
- *EPA Needs to Improve Management Practices to Ensure a Successful Customer Technology Solutions Project*, Report No. 10-P-0194, August 23, 2010. This report noted that missteps in project planning for the CTS deployment led to questions about four areas: (1) the quality of the helpdesk supporting the project, (2) a quality management program that was not finalized, (3) key business processes to support ongoing operations not being defined, and (4) vacant leadership positions needed to facilitate communication and coordination with customers about CTS equipment deployments. These conditions resulted in many end users

¹We suspended the assignment in September 2010 and resumed work on January 25, 2011. We performed additional work to update our assignment findings and concluded our audit on July 7, 2011.

voicing dissatisfaction with the CTS deployment and continued dissatisfaction with helpdesk support.

- *Improved Security Planning Needed for the Customer Technology Solutions Project*, Report No. 10-P-0028, November 16, 2009. This report noted that EPA lacks a process to routinely test CTS equipment for known vulnerabilities and to correct identified threats. In addition, EPA placed CTS equipment into production without fully assessing the risk the equipment poses to the Agency's network and authorizing the equipment operations.
- *Audit of EPA's Fiscal 2009 and 2008 (Restated) Consolidated Financial Statements*, Report No. 10-1-0029, November 16, 2009. This report noted that EPA did not conduct a physical inventory of 1,804 items of accountable personal property at EPA headquarters in FY 2009 as required by *EPA's Personal Property and Procedures Manual*. EPA did not inventory all headquarters accountable property because it did not develop procedures to account adequately for the replacement of thousands of personal computers resulting from EPA implementing a new desktop service provider.

We found no prior U.S. Government Accountability Office reports with findings or recommendations related to EPA's personal computers.

Chapter 2

EPA Should Reduce the Minimum Quantity Required Under the CTS Contract

EPA paid the CTS contractor a total of \$489,734 over an 11-month period for 3,343 seats² not ordered by the Agency during the period. In addition, EPA did not accept the contractor's monthly asset management performance self-rating for over a year because of its nonperformance in properly accounting for and tracking assets. After the first 16 months of the contract's base period, starting in the 17th month, the contract requires EPA to purchase a monthly minimum of 12,000 standard seats. However, EPA did not order the minimum number of seats for 11 of the 12 months reviewed. EPA believes it is required to pay for a minimum order of 12,000 standard seats regardless of the actual number of computers ordered. If EPA does not make changes to the CTS contract, we estimate that EPA may pay as much as \$1.4 million more through September 2012 for personal computer standard seats that it did not order, for a total potential payment of \$1.9 million for seats not ordered.

Federal Acquisition Regulations Allow for Deductive Changes

The CTS contract requires EPA to order monthly a minimum of 12,000 standard seats. Because of the contract requirements, EPA paid for 12,000 standard seats monthly even when it did not order the minimum seat requirement. FAR Section 16.504(a) (2) states that to ensure that the contract is binding, the minimum quantity must be more than a nominal quantity, but it should not exceed the amount that the government is fairly certain to order. The CTS contract incorporates by reference FAR Section 52.243-1, Alternate II, which states:

The Contracting Officer may at any time, by written order, and without notice to the sureties, if any, make changes within the general scope of this contract in any one or more of the following: (1) Description of services to be performed, (2) Time of performance, (3) Place of performance for the services, (4) Drawings, designs, or specifications when the supplies to be furnished are to be specifically manufactured for the Government, in accordance with drawings, designs, or specifications. (5) Method of shipment or packing of supplies, and (6) Place of delivery.

² A standard seat includes a leased computer with accessories and technical support.

The contract also notes FAR Section 52.249-2, which states:

The Government may terminate performance of work under this contract in whole or, from time to time, in part if the Contracting Officer determines that a termination is in the Government's interest.

EPA should reduce the minimum seats required under the contract to a level consistent with the record of actual orders through a deductive change to the contract. EPA could use either the Changes clause, FAR 52.243-1, Alternate II; or as a partial termination for convenience, the authority under FAR 52.249-2. Through one of the clauses, EPA should be able to adjust its CTS contract to reduce the minimum number of seats the Agency is required to order to a number that it is likely to use.

EPA Paid for Seats Not Used and Could Potentially Pay \$1.9 Million

We found that EPA paid the contractor a total of \$489,734 for a cumulative 3,343 standard seats that were not utilized (an average of 304 per month for the 11-month period) from February 2010 through January 2011. In FY 2010, from February 2010 through September 2010, EPA paid a total of \$204,255 for 1,397 computers it did not order. During the contract's third fiscal year, October 2010 through January 2011, EPA paid the contractor an additional \$285,478 for 1,946 seats it did not order. EPA negotiated a modification that reassigned the student/intern seats as counting toward the 12,000 standard seat requirement; the modification was in effect from April through September 2010. Because of this modification, EPA was able to use all 12,000 monthly seats in July 2010.

EPA believes it is required to pay for a minimum order of 12,000 standard seats regardless of the actual number of computers ordered. We estimate that EPA could pay the contractor \$1.4 million for seats not ordered from February 2011 through September 2012. Our estimate is based on an average of monthly payments (table 1) for seats not ordered from October 2010 to January 2011. EPA could potentially pay a total of \$1.9 million in current and future payments for standard seats not utilized.

Table 1: Payments for seats not ordered associated with the CTS contract

Performance period	# of seats ordered	# of seats not ordered	Payment amount for seats not ordered
February 2010	11,744	256	\$ 37,429.76
March 2010	11,666	334	48,834.14
April 2010	11,679	321	46,933.41
May 2010	11,759	241	35,236.61
June 2010	11,982	18	2,631.78
July 2010	12,040	n/a	0.00
August 2010	11,992	8	1,169.68
September 2010	11,781	219	32,019.99
October 2010	11,538	462	67,775.40
November 2010	11,533	467	68,508.90
December 2010	11,520	480	70,416.00
January 2011	11,463	537	78,777.90
Total (actual)		3,343	\$ 489,733.57
February 2011 to September 2011			570,956.40
October 2011 to September 2012			859,820.64
Total (estimated)			\$ 1,430,777.04
Total potential payment for seats not ordered			\$ 1,920,510.61

Source: OIG analysis.

EPA Did Not Accept the Contractor’s Asset Management Performance Self-Ratings

EPA did not accept the contractor’s monthly asset management performance self-ratings of its assets from May 2009 through January 2011. The performance measures for asset management assess the contractor’s accounting, recording, and tracking of its assets. These measures, along with other measures in the contract, are used to ensure that the contractor delivers quality service in accordance with performance requirements outlined by the government.

The Agency noted that the contractor’s performance had improved since contract inception, but was still below expectations. As a result, EPA has not granted the contractor an award fee for its performance. The payment of any award fee is contingent upon the contractor’s performance and its compliance with contract requirements. According to the Agency, it generates and uses the award fee documentation to identify specific contractual obligations not yet completed, such as the submission of government-approved deliverables. EPA noted that the contractor has not been responsive to various issues such as outstanding deliverables and meeting the performance measures.

Conclusion

EPA is currently in the process of reviewing the contract to identify FY 2011 modifications that may be needed to include the student/intern seats in the 12,000 standard seat monthly requirement. EPA has been unable to meet the minimum standard seat requirements, and the contractor's performance has not met expectations. Therefore, we believe EPA should renegotiate the CTS contract requirements, so the government is not paying for computers and related services it does not need. In addition, EPA should continue to withhold the contractor's award fee until its performance is at an acceptable level.

Recommendation

We recommend that Assistant Administrator for Environmental Information and Chief Information Officer:

1. Review and/or modify the CTS contract to adjust the minimum standard seat requirement to eliminate monthly payments for CTS computers that EPA does not order.

Agency Comments and OIG Evaluation

In a memorandum dated August 18, 2011, OEI stated:

OEI respectfully disagrees with this recommendation. The contract structure considers components other than just the number of computers ordered for figuring the standard seat minimum and for calculating the monthly standard seat cost. In addition to the cost of the computers, the cost of the infrastructure used to support users, as well as contractor support are all factored into the total cost of providing the overall CTS service to EPA.

Since the needed infrastructure and head-count for support personnel is not variable, making adjustments based on the number of seats utilized would spread the overall price over fewer seats, thus resulting in a greater seat price to users. The pricing on this contract is the total price to provide the service to a minimum of 12,000 users. If there are less than 12,000 users the overall price will not change. Therefore, adopting a "pay by the number of active seats" approach as recommended would not eliminate monthly payments for CTS computers, but would simply spread the overall price over a lesser number of seats, thus resulting in a greater per-seat price with the overall price remaining the same.

Therefore, the prospect of modifying the contract in this respect has not been a course of action pursued by OEI.

The OIG agrees that the contract structure considers components other than just the number of computers ordered for figuring the standard seat minimum and for calculating the monthly standard seat cost. We also agree that the current pricing on this contract is for a minimum of 12,000 users. However, we believe that by using the contract clauses, EPA can negotiate with the contractor to change the pricing on this contract for the minimum 12,000 users to keep from paying for computers and related services it does not need. With the potential to pay a total of \$1.9 million in current and future payments for standard seats and services not utilized, EPA should renegotiate the CTS contract requirements. We consider this issue unresolved. Appendix B contains the full text of OEI's response.

Chapter 3

EPA's Personal Computer Controls Need Continued Improvement

Because EPA did not safeguard and track personal computers to ensure proper replacement and disposal in accordance with property regulations, it cannot account for 638 personal computers valued at over \$1 million. EPA did not know the status of these personal computers, some of which may have been replaced under the CTS contract. *EPA's Personal Property Policy and Procedures Manual* outlines requirements for property staff to ensure the effective accountability, utilization, and disposal of personal property. However, EPA did not update FAS and retain acquisition documentation for property. In addition, we found a lack of separation of duties in property staff positions. As a result, EPA did not safeguard EPA assets and could not account for these personal computers.

EPA Could Not Account for Some Personal Computers

EPA did not know the status of 638 personal computers valued at over \$1 million, of which 171 may have been computers that were replaced under the CTS contract with an estimated value of \$299,000. We requested a list of all the personal computers replaced by the CTS computer deployment. EPA provided an incomplete list of end-user stations at headquarters that received CTS computers, and was unable to provide a list of computers replaced outside of headquarters. We performed a test of personal computers and could not locate four in headquarters. After our review, EPA reinventoried property, including personal computers, to locate unrecorded property. As a result, EPA determined that 638 computers were unaccounted for as of January 2011, including the 171 laptops that the Agency stated may have been replaced by the CTS service contract computers. A senior official stated that program offices in accountable areas did not follow the property policy during the CTS computer deployment. From its internal review, EPA found that numerous unaccounted for headquarters personal property items were transferred without the proper documentation.

EPA's Personal Property Policy and Procedures Manual, section 3.5.1, states that all actions that remove accountable personal property from an accountable area's records in IFMS must be documented with approved forms and recorded in a voucher log. Removal actions include transfers to other accountable areas, transfers to other federal agencies, transfers to state or local governments, returns to the lessor, and disposal.

EPA Did Not Update FAS

EPA did not have accurate property data in the financial system. During testing, we found inconsistencies in the location of personal computers, incorrect serial numbers, and inaccurate descriptions. For instance, FAS reported network servers as personal computers. According to *EPA's Personal Property Policy and Procedures Manual*, sections 1.1.6, 1.2.1, and 1.2.2, property officers are required to ensure that all accountable personal property is maintained in IFMS to control and account for personal property assigned to the accountable area. Property officers are required to enter additions, transfers, and deletions into IFMS in a timely manner. Property staff did not follow property procedures to correct or update data in FAS. One accountable area relied on a contractor to maintain and update data in FAS; this contractor did not always update the system to account for property. FAS needs accurate data to ensure proper asset management. In its response to our draft report, EPA noted that it has made considerable progress in scrubbing and verifying data between offices with shared responsibility and stakeholders.

EPA Did Not Retain Acquisition Documentation

Accountable areas did not retain acquisition records for property. During our testing, we identified three accountable areas that did not maintain acquisition documents. One of three areas did not keep documentation for property more than 3 years from the date of acquisition. According to *EPA's Personal Property Policy and Procedures Manual*, section 3.1, personal property records must be maintained in IFMS and original documents pertaining to the acquisition of property must be retained for 5 years or the life of the item, whichever is longer. EPA's property staff was not aware of the requirements for records retention and therefore did not retain supporting documents for active property. In response to our FY 2010 financial statement audit recommendations, EPA plans to address property controls nationwide by developing an online training program to improve property staff skills. EPA also noted in its response to our draft report that it has initiated improvements in this area and has taken steps to ensure that necessary acquisition documentation is appropriately maintained.

EPA Property Staff Hold Multiple Positions

EPA's accountable areas did not have a separation of duties in property positions to ensure safeguards over personal computers. We found that property staff held more than one property position. Accountable area property officers are responsible for managing personal property. They include:

- **Property Management Officer:** The PMO is responsible for the effective day-to-day implementation of the personal property management program.
- **Property Accountability Officer:** The PAO is responsible for ensuring the effective acquisition, management, utilization, and disposal of personal

property and overall accountability of IFMS as it relates to personal property.

- **Property Utilization Officer:** The PUO is responsible for promoting the acquisition and profitable use of available excess personal property from known sources, including EPA, the General Services Administration, and other federal agencies.

During our testing, we identified property staff appointed to multiple positions in the same or different accountable areas. Two accountable areas had one person in both the PAO and PUO positions. In another area, one person held all three property positions. *EPA's Personal Property Policy and Procedures Manual*, section 1.2, notes that the PMO, PUO, and PAO roles should be assigned to separate individuals, if possible. EPA stated that staff held multiple positions because in one instance, as a position became vacant, staff had to absorb the work of that vacant property position.

In a September 3, 2010, memorandum, OARM stated that for EPA's personal property program to function efficiently, the jurisdictional program or regional manager for each accountable area is to appoint, in writing, separate individuals, and ensure that the proper resources are available to them. By the end of our review, we identified limited changes in these property positions. EPA should review this requirement for consistency and implementation throughout the Agency, and consider permanent property positions to ensure proper safeguards over assets. In its response to our draft report, EPA noted that all accountable areas have been advised of the need to assign different individuals to the extent possible within their available resources.

Conclusion

EPA did not safeguard and track personal computers to ensure proper replacement and disposal in accordance with property regulations, and therefore could not account for numerous personal computers. EPA currently is working with property custodial officers in each of the 24 property accountable areas to account for the computers. EPA management has worked to give attention to property issues by issuing its September 3, 2010, memorandum for improving accountability of personal property. We believe EPA should continue its emphasis on controls and specifically address property controls relating to FAS, property management positions, and adherence to records retention policies.

Recommendations

We recommend the Assistant Administrator for Administration and Resources Management:

2. Update the property manual to require the separation of duties in property staff positions and consider assigning permanent property

positions throughout the Agency to ensure that there are safeguards over EPA's assets.

3. Develop and implement a process that would require property staff to routinely review and update FAS data.
4. Develop and implement a process that would ensure that property staffs adhere to records retention requirements.

Agency Comments and OIG Evaluation

EPA agreed with our recommendations and proposed acceptable corrective action plans to address them. Appendix C contains the full text of OARM's response.

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	8	Review and/or modify the CTS contract to adjust the minimum standard seat requirement to eliminate monthly payments for CTS computers that EPA does not order.	U	Assistant Administrator for Environmental Information and Chief Information Officer		\$1,400	
2	12	Update the property manual to require the separation of duties in property staff positions and consider assigning permanent property positions throughout the Agency to ensure that there are safeguards over EPA's assets.	O	Assistant Administrator for Administration and Resources Management	10/01/11		
3	13	Develop and implement a process that would require property staff to routinely review and update FAS data.	O	Assistant Administrator for Administration and Resources Management	11/30/12		
4	13	Develop and implement a process that would ensure that property staffs adhere to records retention requirements.	O	Assistant Administrator for Administration and Resources Management	11/30/12		

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

Details on Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We conducted our audit from February to July 2010 at EPA headquarters, in Washington DC. We also visited field offices located in Atlanta, Georgia; Kansas City, Kansas; and Research Triangle Park, North Carolina. In September 2010, we suspended the assignment and reopened it in January 2011. We performed additional work to update our assignment findings and concluded our audit on July 7, 2011.

Using EPA's 24 accountable areas, with the assistance of the OIG Data Mining and Analysis staff, we identified a population of 35,050 EPA personal computers from the IFMS/FAS. We identified the four accountable areas with the highest acquisition cost. We statistically selected 235 computers for our sample from the four areas (table A-1). We identified 159 personal computers as historical items (e.g., conversion items from the prior property system or disposals from 1994 to 2006). We could not locate at the time of our audit 18 computers, resulting in 58 samples tested. We tested samples, performed an inventory, and reviewed property controls and data in FAS. We reviewed supporting documentation for disposed property and property on-site in accordance with *EPA's Personal Property Policy and Procedures Manual* and EPA's Records Retention Schedules.

Table A-1: OIG testing schedule for EPA's personal computers

Accountable area and location	Total samples	Sample dollars	Historical samples	Missing samples	Tested samples
AA01—Headquarters	59	\$189,058.75	29	16	14
AA06—Research Triangle Park, North Carolina	59	225,798.02	42	0	17
AA14—Atlanta, Georgia	59	97,942.43	37	1	21
AA17—Kansas City, Kansas	58	140,648.56	51	1	6
TOTALS	235	\$653,447.76	159	18	58

Source: OIG analysis.

For CTS contract computers, we used EPA's most recent inventory deliverable as of December 2009 to obtain our universe. We identified our universe of 10,359 deployed CTS computers. We selected two accountable areas for which we were already reviewing EPA's personal computers. We statistically selected 59 deployed computers for our sample at the two sites. We tested samples and performed an inventory. We reviewed documentation supporting EPA's oversight of the CTS contract and CTS inventory requirements. For all samples, we held interviews with EPA personnel, performed observations, and analyzed property data.

OEI Response to Draft Report

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

AUG 18 2011

OFFICE OF
ENVIRONMENTAL INFORMATION

MEMORANDUM

SUBJECT: OEI Response to Draft Report: EPA's Contract Oversight and Controls Over Personal Computers Need Improvement (Project No. OA-FY 10-0057)

FROM: Malcolm D. Jackson /s/
Assistant Administrator and Chief Information Officer

TO: Arthur Elkins
Inspector General

The purpose of this memorandum is to provide a response to the subject draft report and provide additional clarification regarding the Office of Environmental Information's (OEI) management of the Customer Technology Solutions (CTS) service contract.

OEI appreciates the OIG's desire to ensure EPA has adequate controls for safeguarding personal computers and contract oversight. Although OEI has the primary oversight responsibility for the CTS contract, we are in partnership with EPA's Office of Acquisition Management (OAM).

While OEI does not concur with OIG's current audit report recommendation, OEI continues to make significant resource investments to address end user dissatisfaction with CTS deployments and/or other related concerns as outlined in a previous OIG report (i.e., *EPA Needs to Improve Management Practices to Ensure a Successful Customer Technology Solutions Project, Report No. 10-P-0194, August 23, 2010*).

Attached please find OEI's detailed response to OIG's current draft report. OEI believes, as outlined in the attached response, that OIG may have a fundamental misunderstanding of CTS' contractual structure, especially as it relates to the standard seat minimum and for calculating monthly standard seat cost.

While OEI cannot agree with OIG's recommendation at this point, we look forward to further discussions regarding CTS' monthly seat costs. If you have any questions, please feel free to contact me.

Attachment

cc: Gloria Taylor-Upshaw, OIG
Craig Hooks, Assistant Administrator, OARM
Renee Wynn, Acting Principal Deputy Assistant Administrator, OEI
Vaughn Noga, Director, Office of Technology Operations and Planning
Johnny E. Davis Jr., Director, Enterprise Desktop Solutions Division
Jeff Worthington, OEI
Patrick Huber, OEI Audit Follow-up Coordinator
Anne Mangiafico, OTOP Audit Coordinator

ATTACHMENT

OEI's Detailed Response to Draft Report: EPA's Contract Oversight and Controls over Personal Computers Need Improvement (Project No. OA-FY 10-0057)

The following is OEI's response to the recommendation number one identified in the draft report:

Review and/or modify the CTS contract to adjust the minimum standard seat requirement to eliminate monthly payments for CTS computers that EPA does not order.

OEI respectfully disagrees with this recommendation. The contract structure considers components other than just the number of computers ordered for figuring the standard seat minimum and for calculating the monthly standard seat cost. In addition to the cost of the computers, the cost of the infrastructure used to support users, as well as contractor support are all factored into the total cost of providing the overall CTS service to EPA.

Since the needed infrastructure and head-count for support personnel is not variable, making adjustments based on the number of seats utilized would spread the overall price over fewer seats, thus resulting in a greater seat price to users. The pricing on this contract is the total price to provide the service to a minimum of 12,000 users. If there are less than 12,000 users the overall price will not change. Therefore, adopting a "pay by the number of active seats" approach as recommended would not eliminate monthly payments for CTS computers, but would simply spread the overall price over a lesser number of seats, thus resulting in a greater per-seat price with the overall price remaining the same.

Therefore, the prospect of modifying the contract in this respect has not been a course of action pursued by OEI.

OARM Response to Draft Report

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

AUG 25 2011

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Comments on Draft Report: EPA's Contract Oversight and Controls Over Personal Computers Need Improvement (Project No. OA-FY10-0057)

FROM: Nanci Gelb /s/
for Craig E. Hooks, Assistant Administrator

TO: Melissa M. Heist, Assistant Inspector General for Audits
Office of Inspector General

The Office of Administration and Resources Management appreciates the opportunity to comment on the draft report. OARM's detailed comments are included in the attached document. While we recognize that the OIG had requested a consolidated response, this memorandum is limited to OARM as we understand that the Office of Environmental Information has elected to reply separately.

OARM has taken significant steps since the audit to improve the program and mitigate vulnerabilities. Should the OIG have questions or wish to discuss any part of this response, Dr. Jerry Oakley, Deputy Director, Facilities Management and Services Division, is available at (202) 564-2082 or oakley.jerry@epa.gov.

Attachment

cc: Nanci Gelb
John Showman
Renee Page
Dennis Bushta
Bridget Shea
Jerry Oakley
Bernie Davis-Ray
David Shelby

Draft Report: EPA's Contract Oversight and Controls Over Personal
Computers Need Improvement (Project No. OA-FY I 0-0057)

OARM Comments

Chapter 3 - EPA's Personal Computer Controls Need Continued Improvement

Findings:

EPA Cannot Account for Personal Computers

OARM concurs with the finding in the draft report that EPA could not account for 638 personal computers as of January 2011. As stated in my transmittal memo, we have made significant progress toward improving the personal property program and mitigating vulnerabilities. For example, we have already located an additional 96 items as of 08/01/11. However, we ask that OIG consider being more specific in the report's subtitle regarding the number of unaccounted items in order to more accurately reflect the percentage of the inventory involved.

EPA Did Not Update FAS

OARM concurs with the finding in the draft report that "EPA did not have accurate property data in the financial system" because of "inconsistencies in the location of personal computers, incorrect serial numbers, and inaccurate descriptions." We acknowledge that property staff apparently did not always have the information or was not able to update data in FAS. It is worth noting that we have made considerable progress in that data have now been scrubbed and verified between offices with shared responsibility and stakeholders.

EPA Did Not Retain Acquisition Documentation

OARM acknowledges and concurs with the finding in the draft report that ... "you identified one accountable area that did not maintain acquisition documents more than 3 years from the date of acquisition." As this was a specific finding in one accountable area, we request that OIG consider being more specific in this subtitle. We have initiated improvements in this area and have taken steps to ensure necessary acquisition documentation is appropriately maintained by validating records retention schedules through EPA's Record Retention Office and National Archives and Records Administration.

EPA Property Staff Hold Multiple Positions

OARM concurs with the finding "identified property staff appointed to multiple positions in the same or different accountable areas." At this time, all accountable areas have been advised of the need to assign different individuals within their available resources.

OIG Recommendations:

2. Update the property manual to require the separation of duties in property staff positions and consider assigning permanent property positions throughout the Agency to ensure that there are safeguards over EPA's assets.

OARM concurs with this recommendation. Since we do not control staffing numbers and duty assignments throughout the agency, we will take the following corrective actions:

- Reissue the September 3, 2010, memorandum stating the requirement for separation of property roles and ask that consideration be given to assigning permanent property positions. Completion date: October 1, 2011
- Include information on the required separation of property roles in the revision of *EPA's Personal Property and Procedures Manual*. Completion date: October 1, 2011

3. Develop and implement a process that would require property staff to routinely review and update FAS data.

OARM concurs with this recommendation to require property staff to routinely review and update personal property data. Property personnel are already expected to accurately enter and update data. The implementation of the agency's new financial system should permit a more functional and effective means to identify and track data. The following corrective action will help ensure that property data in the financial system are accurate.

- Conduct at least six field audits annually to monitor compliance with property requirements for data entry and updating. Completion date: November 2012

4. Develop and implement a process that would ensure that property staffs adhere to records retention requirements.

OARM concurs with this recommendation and will take the following corrective actions:

- Review the existing process for collecting and maintaining acquisition documents and make any necessary modifications. Completion date: November 1, 2011
- Inform property personnel of the need to maintain all necessary acquisition documentation and provide timeframes and implementing guidance. Completion date: December 1, 2011
- Include a review of records retention documentation in a minimum of six annual field audits. Completion date: November 2012

Distribution

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