



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

EPA Should Improve Controls for Managing Contractor-Held Property

Report No. 12-P-0388

April 3, 2012



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Abbreviations:

CHP	Contractor-held property
CO	Contracting officer
CP	Contract Property
CPC	Contract property coordinator
DCMA	Defense Contract Management Agency
EPA	U.S. Environmental Protection Agency
EPAAR	Environmental Protection Agency Acquisition Regulation
FAR	Federal Acquisition Regulation
FAS	Fixed Assets Subsystem
FMSD	Facilities Management Services Division
FY	Fiscal year
GAO	U.S. Government Accountability Office
GFP	Government-furnished property
IFMS	Integrated Financial Management System
MATS	Management Audit Tracking System
OA	Office of Administration
OAM	Office of Acquisition Management
OARM	Office of Administration and Resources Management
OIG	Office of Inspector General
PMO	Property management officer
S&T	Science and Technology
WCF	Working Capital Fund

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At a Glance

Why We Did This Review

We performed this review to determine whether the U.S. Environmental Protection Agency (EPA) effectively manages contractor-held property (CHP). Specifically, we wanted to determine whether EPA (1) effectively oversees CHP, (2) accurately reports CHP, and (3) adequately addressed prior recommendations on CHP.

Background

EPA's Office of Administration and Resources Management (OARM) is responsible for developing and establishing an effective and efficient property and contract management program. In November 2009, EPA transferred the oversight of CHP within OARM, from the Office of Acquisition Management to the Office of Administration, Facilities Management Services Division.

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/2012/20120403-12-P-0388.pdf

EPA Should Improve Controls for Managing Contractor-Held Property

What We Found

EPA does not have effective oversight of CHP, did not accurately report CHP in its fiscal year (FY) 2010 financial statements, and did not fully implement corrective actions from an Office of Inspector General 2006 audit report. EPA does not have effective oversight of CHP in terms of property administration, policies and procedures over the CHP management program, and modifications to contracts with CHP. Further, EPA incorrectly recorded CHP and reported property in the wrong funding appropriation. As a result, EPA overstated CHP by \$34.6 million in the FY 2010 financial statements. EPA did not fully implement corrective actions to address recommendations from our FY 2006 report, *EPA Needs to Strengthen Oversight of Government Furnished Property*. EPA provided corrective actions, but only implemented one of two recommendations. Without accurate CHP records and proper property administration at contractor sites, the Agency has no safeguards over property and could inaccurately report CHP in the financial statements. In FY 2011, EPA addressed the accuracy of CHP and adjusted its FY 2011 financial statements for the overstatements.

What We Recommend

We recommend that the Assistant Administrator for Administration and Resources Management quantify the universe of CHP and assign more resources to the property administration function, designate CHP as a significant deficiency, develop and implement policies and procedures for the property staff, train property staff and contracting officers on current and any new responsibilities over contracts with government property, and revise or update the corrective action plan in the Agency's Management Audit Tracking System for the 2006 audit report and reference any corrective actions.

We recommend that the Chief Financial Officer develop and implement internal controls that require the financial staff to review the funding appropriations for contracts with government property.

EPA agreed with our recommendations and proposed acceptable corrective action plans to address them.



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

THE INSPECTOR GENERAL

April 3, 2012

MEMORANDUM

SUBJECT: EPA Should Improve Controls for Managing Contractor-Held Property
Report No. 12-P-0388

FROM: Arthur A. Elkins, Jr.

A handwritten signature in black ink that reads "Arthur A. Elkins, Jr." with a stylized flourish at the end.

TO: Craig E. Hooks
Assistant Administrator for Administration and Resources Management

Barbara J. Bennett
Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency. 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.

Action Required

In responding to the draft report, the Agency provided a corrective action plan for addressing the recommendations with milestone dates. Therefore, a response to the final report is not required. The Agency should track corrective actions not implemented in the Management Audit Tracking System.

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

If you or your staffs have any questions regarding this report, please contact Melissa Heist, Assistant Inspector General for Audit, at (202) 566-0899 or heist.melissa@epa.gov; or Paul Curtis, Director, Financial Statement Audits, at (202) 566-2523 or curtis.paul@epa.gov.

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Chapter 1

Introduction

Purpose

We performed this review to determine whether the U.S. Environmental Protection Agency (EPA) effectively manages contractor-held property (CHP). Specifically, we sought to determine whether EPA:

- Has effective oversight of CHP.
- Accurately reports CHP.
- Adequately addressed prior recommendations on CHP.

Background

Under Federal Acquisition Regulation (FAR) Part 45, government-furnished property (GFP) (referred to herein as CHP) is defined as the property in the possession of, or directly acquired by, the government and subsequently furnished to a contractor for performance of a contract. CHP also includes contractor-acquired property, which the FAR defines as property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the government has title.

The EPA Office of Administration and Resources Management (OARM) is responsible for developing and establishing an effective and efficient Agency-wide property and contract management program. The two OARM offices with property responsibilities are the Office of Administration (OA) and the Office of Acquisition Management (OAM). In November 2009, EPA transferred the oversight of CHP from OAM to OA's Facilities Management Services Division (FMSD). Currently, FMSD administers programs relating to property and supply management, and OAM is responsible for the policies, procedures, operations, and support of the Agency's procurement and contracts management program.

Several guidance documents govern CHP. When EPA property is in the possession of a contractor, property management responsibilities under EPA contracts are governed by Environmental Protection Agency Acquisition Regulation (EPAAR) Section 1552.245-70, which outlines property administration requirements for contractors. These requirements supplement those contained in the government property clause(s) and FAR Part 45. Also, EPA's *Contract Management Manual*, Chapter 45, requires EPA to maintain effective control and accountability for all CHP. It specifically addresses the property administration function to ensure that property in contractors' possession is maintained and tracked in accordance with the contract.

The *4832 EPA Personal Property Policy and Procedures Manual* is the primary authoritative reference for property management. Property staffs manage personal property—property that has not been provided to contractors as CHP—in 24 accountable areas nationwide, to include headquarters, regions, and laboratories. Each accountable area should have a property management officer (PMO), property accountable officer, and property utilization officer, who are responsible for ensuring that adequate and effective administrative controls are established for all personal property under their jurisdiction. Although not required, some PMOs currently track CHP as well. Chapter 5 of the manual outlines policies for control, accountability, and CHP general management once property is provided to contractors. Specifically, the manual describes CHP responsibilities for contracting officers (COs), contracting officer representatives, project officers, and contractors.

Under FAR Part 42, Contract Administration, Subpart 42.1, EPA had an interagency agreement with the Defense Contract Management Agency (DCMA), under which DCMA would provide EPA with property administration and plant clearance services on EPA contracts. The agreement was effective in January 2006, and EPA terminated the agreement in May 2009.

Noteworthy Achievements

In fiscal year (FY) 2011, the Agency placed more emphasis on CHP during the Office of Management and Budget's revised Circular A-123 internal control reviews. EPA retained external auditors to assist in its annual efforts to comply with the Office of Management and Budget's revised Circular A-123. The external auditors' control assessment report noted the following concerns that relate to our findings:

- Inadequate resources for managing personal property and CHP.
- Insufficient training and accountability for managing personal property and CHP.
- Inconsistent policies and procedures for managing personal property and CHP at headquarters and regional offices.
- Insufficient internal controls over CHP.

In FY 2012, after the assessment and in response to our FY 2011 financial statement audit findings, OARM noted that it would review current policies and procedures, and revise them as needed to ensure that they address responsibilities for the removal of personal property from the Agency's financial system when it is transferred to contractors. Current procedures are in place to inform COs, project managers, contractors, and Agency property personnel on how to handle property transfers to contractors. Additionally, frequent turnover of positions necessitates an increase in both training and cross-training of COs and Agency property managers. OARM also noted that it is committed to developing a training program for all parties associated with the contract property process

during FY 2012. As part of an ongoing review and improvement program, OARM plans to provide periodic training information to COs on the importance of ensuring that all contracts having contract property clauses are identified as such in the Agency's acquisition system.

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 2011 through February 2012,¹ at EPA headquarters in Washington, DC. We also visited contractor sites located in Research Triangle Park, North Carolina; Fort Meade, Maryland; Reston, Virginia; and Edison, New Jersey.

We assessed internal controls over CHP related to the Agency's procedures, including property and contract requirements. We reviewed FAR Parts 42 and 45, and the U.S. Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*. We also reviewed EPA's Management Audit Tracking System (MATS) to determine the status of corrective actions for Office of Inspector General (OIG) Report No. 2006-P-00035, *EPA Needs to Strengthen Oversight of Government Furnished Property*.

We were not able to obtain a complete list of all CHP from OARM. We obtained a listing of FY 2010 contracts with CHP valued at over \$25,000 per property item that OARM used to report CHP in the FY 2010 financial statement audit. From the FY 2010 list, we judgmentally selected three high dollar and two smaller dollar contracts at different locations (table 1). We obtained the contractors' annual property reports and physical inventories lists as of FY 2010. We tested samples, performed inventories, and reviewed property controls and data in the Fixed Assets Subsystem (FAS). We reviewed supporting documentation for acquisition costs associated with capital property items. For all samples, we held interviews with EPA personnel and contractors, performed observations, and analyzed property data.

¹ We suspended the assignment in September 2011 and resumed work on the draft report in November 2011.

Table 1: OIG testing schedule for EPA’s contracts with CHP

Contract and location	Total number of CHP items in sample	Total value of CHP in sample
Contract A—Research Triangle Park, NC	29	\$6,681,107
Contract B1—Washington, DC ^a	21	997,591
Contract B2—Research Triangle Park, NC ^a	241	25,910,813
Contract C—Fort Meade, MD	8	457,900
Contract D—Edison , NJ	48	3,655,537
Contract E—Reston, VA	1	30,000
Total	348	\$37,732,948

Source: OIG analysis.

^a Same contract in different locations.

Prior EPA OIG Reports

In OIG Report No. 2006-P-00035, *EPA Needs to Strengthen Oversight of Government Furnished Property*, September 19, 2006, we found that OAM did not have accurate and reliable records to indicate which contractors had received EPA-provided GFP, the dollar value of the GFP provided, or whether contractors had performed the required annual inventories. We also found that OAM needed to improve the administration of its interagency agreements with DCMA. The conditions we found were generally due to outdated policies and procedures that did not assign specific responsibility for GFP property administration.

The EPA OIG also issued the following reports with findings related to EPA property:

- OIG Report No. 12-1-0073, *Audit of EPA’s Fiscal 2011 and 2010 Consolidated Financial Statement*, November 15, 2011—This report noted that EPA double counted 97 items of capitalized property in its financial system because it did not remove from its financial system property that had been transferred to contractors. Also, EPA headquarters could not account for 1,284 personal property items in FY 2011 as required by EPA’s *Personal Property and Procedures Manual*. Headquarters mid-level management was not knowledgeable about Agency property management procedures, and EPA did not provide planned property training for Agency employees during FY 2011.
- OIG Report No. 11-1-0015, *Audit of EPA’s Fiscal 2010 and 2009 Consolidated Financial Statement*, 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.

- OIG Report No. 10-1-0029, *Audit of EPA's Fiscal 2009 and 2008 (Restated) Consolidated Financial Statement*, 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 GAO reports with findings or recommendations related to EPA's CHP.

Chapter 2

EPA Does Not Have Effective Oversight of CHP

EPA does not have effective oversight of CHP. We found that EPA needs to improve oversight in three areas: (1) CHP administration, (2) policies and procedures for the CHP management program, and (3) modifications to contracts with CHP. Federal regulations and EPA's acquisition policies address some of the controls needed to ensure that government property in the possession of contractors is controlled, protected, and maintained in accordance with contractual requirements. GAO's *Standards for Internal Control in the Federal Government* requires EPA to have effective policies, procedures, techniques, and mechanisms to address risks. However, EPA does not perform property administration for property items provided to contractors. Property staff have limited resources to govern CHP, and COs are not aware of property contract requirements. Property staffs have dealt with CHP in diverse ways, which EPA did not formalize through written policy. By not addressing these conditions, EPA increases the likelihood that government property may be lost or stolen while in the possession of contractors. In addition, EPA increases the risk of misstatements to the financial statements.

EPA Needs Improved Controls for Property Administration

The contract property coordinator (CPC) did not perform property administration for property items reported by contractors. The CPC is responsible for property administration for all EPA contracts issued with government property or contracts that include property clauses. Our audit indicated that EPA does not know how much property is in the possession of contractors. We requested a complete listing of CHP. However, EPA property officials could only provide a list of 72 contracts in which contractors reported 948 capital items totaling \$95 million for FY 2010. From our testing of the capital items, we found that the CPC has not performed property administration since 2008. Also, the interagency agreement with DCMA to help with property administration was terminated in May 2009 with no replacement. EPA used the incomplete FY 2010 listing to report capital CHP amounts on the FY 2010 financial statements.

The CPC did not have a complete listing of all contracts with CHP and asked the contract office to identify the contracts with CHP. In September 2010, the contract office requested that COs review contracts with property clauses and request annual property reports from contractors. COs are required to modify contracts when adding, transferring, or disposing of government property, and submit electronic copies of all contracts and modifications that include the property clauses to the CPC. However, EPA COs often did not provide copies of contracts and modifications to the CPC.

We reviewed some responses from contractors to the request for annual property reports and found that one contractor did not report one capital property item valued at \$44,000. The property item was not included in the FY 2010 financial statements; however, it was scheduled for disposal in January 2011.

In FY 2011, EPA worked to gather a more comprehensive and accurate list of contractors having contracts and Agency contract property clauses to validate the FY 2011 annual reporting.

Contract Management Manual Requirements

Currently, EPA does not perform the property administration function to ensure that property in contractors' possession is being maintained and tracked in accordance with the contract. The *Contracts Management Manual*, Section 45.2.2, states:

[Property] administration ensures that all government property in both the contractor's and its subcontractor's possession is controlled, protected, maintained, used, and reported in accordance with regulatory and contractual requirements.

To help with the property administration and the universe of contracts, COs should notify the CPC of any changes to contracts. Section 45.2.5.1.2 states:

All EPA contracts issued with Government Property, or those, which include the Government Property clauses and have the potential to receive, purchase or acquire Government Property, are automatically delegated to the EPA CPC for property administration. The delegation gives the CPC authorization to obtain property reports and annual physical inventory reports.

According to the *Contracts Management Manual*, the CPC is to:

[Review] all property and [annual] physical [inventory] reports to ensure that the reports represent an accurate and complete accounting of contractor held government property. Information contained in these reports is used to provide Financial Information to the OCFO for the Agency's financial statements.

Contracts and Property Staff Controls Need Improvement

A contract manager noted that many COs are not aware of the requirement to submit electronic copies of contracts and modifications with government property clauses to the CPC. Further, there is no internal control or comprehensive reporting mechanism in place to ensure that the CPC receives notification of new contracts that include CHP.

The property office has limited resources, and CPC has not performed property administration due to workload. A senior property manager stated that a new staff member has been hired to perform the property clearance functions because the current CPC is performing the work of three staff members. He also stated that he wanted to resolve the CHP issues internally, and EPA is not considering a new interagency agreement for property administration.

Property Staff Need Internal Policies and Procedures to Manage CHP

EPA does not have internal policies and procedures for the management and oversight of CHP as part of an overall property management program. EPA has unofficially instituted a number of practices for overseeing and tracking CHP, but has not formalized these practices in written policy. We found that in one accountable area, contractors are accounting for CHP that they do not fully control.

Internal Policies Are Limited in Addressing CHP Requirements

Agency policy to address how property staff should handle CHP in their accountable areas is limited to a section in EPA's *Personal Property Policy and Procedures Manual*. Section 5.2.1 states:

When contractors are furnished with government property, it is deleted from IFMS [Integrated Financial Management System] and the contractor becomes responsible for the property until such time as it is returned to the Government. In such cases, the Government retains title to the property.

In addition, GAO's *Standards for Internal Control in the Federal Government* state:

Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements for budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and addressing the accountability for stewardship of government resources and achieving effective results.

Our review did not identify any property that EPA deleted from IFMS as noted in the requirement. We did identify changes to the property status in IFMS's FAS. We also found decal numbers from FAS on CHP.

EPA does not have an official policy to address CHP in FAS. There were no official policies or procedures to address how PMOs should handle contractors using CHP in shared office space, how decals should be provided to contractors

for newly purchased EPA property, or what acquisition documentation should be maintained by EPA or the contractor for CHP.

Property staffs should rely on the FAR and the *Contracts Management Manual* as policy for governing CHP. In addition, property staff stated that other offices have too much control over CHP, which impedes their efforts to manage properly. As of our review, EPA has not formally issued and implemented a comprehensive policy to address CHP oversight.

EPA Did Not Address Diverse CHP Practices

Because EPA has not issued clear CHP policies and procedures to property staffs Agency-wide, offices have dealt with CHP in diverse ways. Practices we found during our interviews with contractors and property staffs include:

- Contractors in shared spaces with EPA employees stated that they have CHP in an EPA facility, and EPA employees use equipment for which contractors have the responsibility to annually inventory and report to EPA.
- Property staff provided a contractor with a roll of EPA decals and allowed the contractor to place the decals on government property. Property staff also allowed the contractor to enter the information in EPA's property database system.
- The PMO in one accountable area includes EPA-held property and CHP in EPA's annual inventory and works directly with the project officer to track CHP.
- Two PMOs had no knowledge or involvement with CHP in their accountable areas.
- Contractors are required to report the value of government property on their annual property reports; however, in several instances, neither EPA nor the contractors had acquisition documentation to support the amount reported by the contractor.
- One PMO changes the status of CHP in FAS from a "non-disposed" code to a "disposition 9" code. The "disposition 9" code was established by property staff, and not as official policy, to distinguish between active items in IFMS and those items provided to the contractor. The code indicates that EPA transferred the property to the contractor, and the item becomes inactive and not counted as EPA-held property.

These practices exhibit the need for clear policies and procedures over CHP to ensure that government property is safeguarded while in the possession of contractors.

EPA Should Modify Contracts to Include CHP

EPA did not modify contracts to include CHP as required by FAR Part 45, Subpart 45.1, Section 45.106. COs are to initiate the transfer of government property using a contract modification. We found two contractors who reported on their annual property reports a total of 49 capital property items on two contracts that did not have CHP modifications in their contracts. For 48 items valued at over \$3.6 million dollars, the contractor transferred and used the same property from one contract on a subsequent contract without a contract modification. For the additional item, the program office purchased the property for the contractor and did not notify the CO to modify the property item, valued at \$34,000, to the contract.

Federal and EPA Policies and Procedures Address CO Responsibilities

The FAR directly addresses CO responsibilities for contracts with government property. Section 45.106 states:

Government property shall be transferred from one contract to another only when firm requirements exist under the gaining contract (See 45.102). Such transfers shall be documented by modifications to both gaining and losing contracts. Once transferred, all property shall be considered Government-furnished property to the gaining contract.

Contracts Management Manual Section 45.2.5.1.1 states, among other things, that it is the CO's responsibility to "[modify] the contract when adding, transferring, or disposing of government property." Additionally, the CO is to "[submit] electronic copies of all contracts, modifications, purchase orders, and Federal Supply Schedule orders that include the Government property clauses to the CPC."

EPA Did Not Know Contracts Needed Changes

The CO for one of the two contracts we identified as not having CHP modifications had just recently acquired the contract from another CO. She was not aware that there was no contract modification for the 48 capital items currently used by the contractor. On the second contract, the CO did not know that the program office had purchased property for the contractor, and did not receive a request for a contract modification from the contractor or project officer. As a result of our inquiries, both COs stated that they would modify the contracts to add the CHP.

Conclusion

By having limited controls, not performing property administration, and not tracking the universe of CHP, EPA increases the likelihood that government property can be lost or stolen while in the possession of contractors. EPA should

manage CHP effectively, provide oversight, and accurately report the value of CHP on the financial statements. At a minimum, EPA controls should include the proper policies and procedures to track and document CHP that is relinquished to contractors. By not ensuring that CHP is accounted for accurately under the correct contract, EPA increases the risk of misstatements to the financial statements.

Recommendations

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

1. Quantify the universe of CHP and assign more resources to the property administration function or contract the function to ensure proper oversight and management of CHP.
2. Designate CHP as a significant deficiency until adequate controls are in place to safeguard government property.
3. Develop and implement policies and procedures for the property staff that:
 - a. Address how EPA should maintain documentation to support acquisition values reported by contractors on annual property reports.
 - b. Require PMOs to have knowledge of CHP in their accountable areas to ensure it is identified properly in FAS.
 - c. Define CHP responsibilities in locations where contractors and EPA staff are co-located.
 - d. Explain the required exchange between property and contract staffs to ensure EPA records property accurately in the financial statements.
4. Train property staff and COs on current and any new responsibilities over contracts with government property to ensure consistent application of and adherence to EPA's administration of its property management program.

Agency Comments and OIG Evaluation

EPA agreed with our recommendations and proposed acceptable corrective actions to address them. Appendix A contains the full text of the Agency's response.

Chapter 3

EPA Did Not Accurately Report CHP in the Financial Statements

EPA did not accurately report CHP in its FY 2010 financial statements. EPA incorrectly recorded CHP and reported property in the wrong appropriation. EPA's acquisition guidance requires contractors to create and maintain records of all government property, regardless of value. The property manual states that CHP should be deleted from the financial system. Additionally, the financial policies state that the Reporting and Analysis Staff should not include the Working Capital Fund (WCF) appropriation code in the year-end allocation of CHP. By not reporting CHP accurately, EPA overstated CHP by \$34.6 million in the FY 2010 financial statements. EPA could significantly impact future financial statements if the financial staff does not review contract funding sources for the correct allocation prior to reporting on the statements. In FY 2011, EPA addressed CHP financial reporting by adjusting the inaccuracies in its financial system and deleting property reported in the WCF appropriation code from its FY 2011 financial statements.

EPA Recorded Inaccurate Amounts for CHP

EPA incorrectly recorded over \$2.5 million in CHP based on contractors' incorrect annual property reports. EPA cannot confirm that the costs reported by contractors are reasonably accurate because EPA has not performed property administration since 2008. We found the following inaccuracies in contractor annual property reports:

- A contractor reported property items totaling \$997,591 without conducting an inventory. The contractor had returned the property to EPA without following the proper procedures, and reported property in its annual property report that was in EPA's possession.
- A contractor reported a specialty vehicle with an acquisition cost of \$379,800, which was \$23,800 more than the value of the capital property as noted on the acquisition documentation.
- A contractor did not submit the required annual property report, due September 30, for a capital property item valued at \$44,000, until February 2011.
- A contractor included a \$1.5 million computer mainframe, which EPA had disposed of on September 27, 2010, in its September 30, 2010, inventory property list and annual property report.

EPA's internal acquisition guidance requires that contractors maintain auditable records. Specifically, EPAAR 1552.245-70, Paragraph 5c, states, "Support documentation used for posting entries to the property record shall provide complete, current and auditable data." Paragraph 6 states, "The contractor shall conduct a complete physical inventory of EPA property at least once per year." Paragraph 7 states, "EPA requires an annual summary report, for each contract, by contract number, of Government property in the contractor's possession. The annual summary is due as of September 30th of each year, and upon contract termination or expiration."

EPA's CPC is to review the annual property reports from the contractors for accuracy as stated in *Contracts Management Manual* Section 45.2.5.1.2. The section states, "The CPC review[s] all property and physical [inventory] reports to ensure that the reports represent an accurate and complete accounting of contractor held government property." EPA uses the information in the annual property reports from contractors to report property on the financial statements. EPA did not ensure that the contractors maintained and tracked CHP as required by the contract guidance.

EPA Double Reported CHP in the Annual Financial Statements

EPA recorded 146 CHP property items on four contracts twice in its FY 2010 financial statements. EPA recorded the same property as CHP and as EPA-held property.

EPA reports property in its annual financial statements under the "General Plant Property and Equipment" section. Property values are in two sections of the financial statements. One section, "EPA Held Equipment," includes property in EPA possession, and another section, "Contractor Held Property," is for property in the contractor's possession. We reviewed FY 2010 annual property reports and physical inventories from contractors, and looked up the property items in the financial system to determine the property item's status. The IFMS FAS showed that 146 CHP items were recorded as "non-disposed." These items are considered active property in EPA's possession.

We sampled four contracts with CHP items valued at over \$37 million (table 2). We determined based on our review that EPA duplicated the property in its financial system and subsequently duplicated the value in its FY 2010 financial statements. This duplication resulted in an overstatement of \$15.2 million.

Table 2: Double-reported CHP

Contract	CHP items reported	Amount reported as contractor held	EPA-held property items in FAS	Amount reported as EPA held	Amount duplicated
A	29	\$6,681,107	17	\$5,644,174	\$5,644,174
B1 ^a	21	997,591	21	997,591	997,591
B2 ^a	241	25,910,813	58	4,965,388	4,965,388
C	8	457,900	8	457,900	457,900
D	48	3,655,537	42	3,139,977	3,139,977
Totals	347	\$37,702,948	146	\$15,205,030	\$15,205,030

Source: OIG analysis.

^a Same contract for property in different locations.

Guidance to property staff states that CHP should be deleted from the financial system. However, the guidance does not state who should delete the property from the financial system. Specifically, EPA's *Personal Property Policy and Procedures Manual* Section 5.2.1 states:

When contractors are furnished with government property, it is deleted from IFMS and the contractor becomes responsible for the property until such time as it is returned to the government. In such cases, the government retains title to the property.

PMOs should be notified to update IFMS when property is placed on contract to ensure the accountability of property in IFMS and to keep property from remaining in EPA's financial system as EPA-held property. Additionally, EPA needs a policy to identify who is responsible and how CHP should be changed in the financial system when property is provided to contractors and reported in the financial statements.

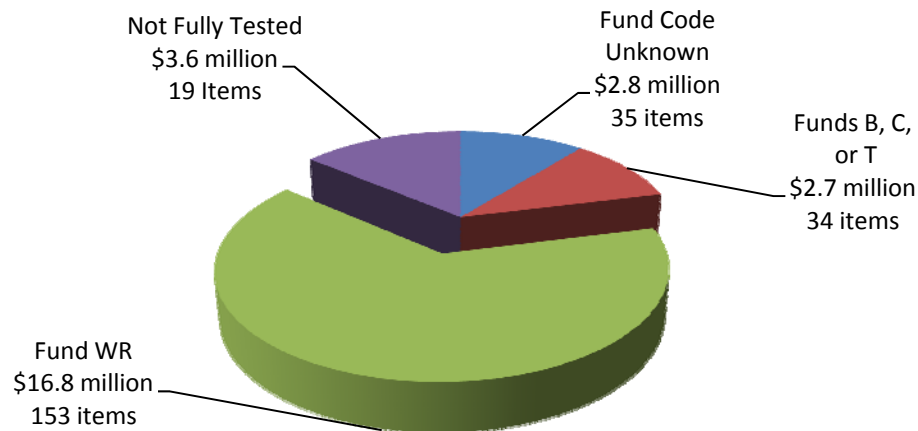
EPA Did Not Properly Report CHP in the WCF Appropriation

In the FY 2010 financial statements, EPA reported CHP in the wrong funding appropriation for one contract valued at over \$25 million. We found that EPA reported the entire contract funding in the Science and Technology (S&T) appropriation (fund code C) instead of identifying the portion of the contract—153 items valued at \$16.8 million—that is associated with the WCF appropriation (fund code WR).

The WCF staff enters its property into the financial system to account for assets and properly record depreciation. We found that the Office of the Chief Financial Officer's Reporting and Analysis Staff recorded the same property under the S&T appropriation in its CHP allocations.

Our testing showed that 153 property items on the contract, valued at \$16.8 million, had a WR fund code (figure 1). The other items on the contract had funding for Superfund (fund code T) and Environmental Programs and Management (fund code B). However, the Reporting and Analysis Staff did not review the funding source for the contract and reported the entire contract under fund code C in the FY 2010 financial statements. If the staff had reported the items accurately, as broken out in figure 1, they would have been able to remove the WCF portion of the contract items and value from the year-end CHP allocations to prevent double reporting of CHP on the financial statements.

Figure 1: Funding on contract B2



Source: OIG analysis.

EPA's Resources Management Directive System 2540-14-P3, Exhibit 3, Paragraph 7c, states:

The WCF enters into FAS assets held by contractors and purchased with WCF funds in order to financially account for its assets, properly record its capital equipment, and record monthly depreciation expenses.

Paragraph 7f states:

WCF CP [contract property] is already in FAS and accurately accounted for and depreciated. To ensure there is no double counting of CP on the Agency's financial statements, the WCF appropriation code is not included in the year end allocation of CP by the Reporting and Analysis Staff (RAS). It is the responsibility of the contractor to report CP.

The Reporting and Analysis Staff stated that they did not have the specific funding information for this specific contract. They also stated that overall

funding for contracts is usually allocated based upon the obligations associated with the contract. Our review of the obligations for this contract noted that various fund appropriations were allocated for this contract, including WCF. The Reporting and Analysis Staff should review the funding appropriations prior to allocating amounts for CHP in the financial statements.

During our FY 2011 financial statement audit, we addressed the accuracy of CHP in its financial reporting and the recording of the \$25 million contract. EPA removed the contract from fund code C and its FY 2011 financial reporting. Additionally, EPA stated it will:

[Review] current policies and procedures and revise as needed to ensure they address responsibilities for the removal from its financial system when it is transferred to contractors. Current procedures are in place to inform contracting officers, project managers, contractors and agency property personnel on how to handle property transfers to contractors.

EPA also stated that Agency and contractor compliance remains a challenge, and it is committed to developing a training program for all parties associated with the contract property process during FY 2012.

Conclusion

EPA's FY 2010 total overstatement is \$34.6 million. The overstatement includes \$17.8 million due to recording incorrect amounts from contractor annual reports and recording duplicate property items. It also included \$16.8 million due to not removing WCF funding from one contract. EPA should develop controls to ensure that the financial staff reviews contract funding prior to reporting CHP on the financial statements. EPA increases the risk that a material misstatement may occur and go undetected when Agency personnel and contractors do not comply with internal policies already in place.

EPA management has placed more emphasis on CHP in FY 2011. EPA addressed the accuracy of CHP in its financial reporting and the recording of the \$25 million contract. We believe EPA should continue its emphasis on accurately reporting CHP in the financial system.

Recommendation

We recommend that the Chief Financial Officer:

5. Develop and implement internal controls that require the Reporting and Analysis Staff to review the funding appropriations for contracts with government property prior to allocating funds for CHP in the financial statements.

Agency Comments and OIG Evaluation

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

Chapter 4

EPA Did Not Adequately Address Prior Recommendations on CHP

EPA did not fully implement corrective actions to address recommendations from the OIG's FY 2006 audit report, *EPA Needs to Strengthen Oversight of Government Furnished Property*. EPA provided corrective actions, but did not fully implement them. Federal guidance and internal policies note that corrective actions are essential to improving the effectiveness and efficiency of government operations, and should be complete, accurate, and verifiable. If EPA does not implement OIG recommendations to maintain accurate CHP records and perform property administration functions at contractor sites, EPA is not safeguarding property, which may be lost or stolen while in the possession of contractors. Further, EPA could inaccurately report CHP in the financial statements.

Federal and EPA Requirements Govern Corrective Actions

Federal guidance and internal policies require EPA to complete corrective actions. The Office of Management and Budget's Circular A-50, Section 5, states that corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of government operations.

EPA Order 2750, Chapter 9, Section 2 and 3a, states that the action official or the delegated program manager is responsible for implementing the corrective actions and meeting the milestone dates. Chapter 9, Section 4, further states that events may occur; for example, changes in organizations that can render the corrective action plan outdated or inappropriate. In these cases, the action official will revise the corrective action plan and submit it to the inspector general's office.

EPA Planned Corrective Actions for Prior Recommendations

In OIG Report No. 2006-P-00035, *EPA Needs to Strengthen Oversight of Government Furnished Property*, September 19, 2006, we recommended that EPA ensure that OARM OAM complete efforts to (1) update policies and procedures regarding GFP management, and (2) maintain accurate records and properly administer interagency agreements with DCMA.

In response to the recommendation, EPA updated policies and procedures regarding CHP by revising the *Contracts Management Manual* in February 2009, and EPAAR clauses in September 2009. EPA did not fully implement the recommendation to maintain accurate records and properly administer interagency

agreements with DCMA. In MATS, EPA stated the following in response to our second recommendation:

OAM will also take action to maintain and periodically update a listing of active contracts that have GFP. We have been doing this on a manual basis so far. Automating this listing should be completed by March 31, 2007.

We now have a Contract Property Coordinator (CPC) who performs a risk assessment on each contract that may potentially have GFP, to determine whether the property administration function should be designated to DCMA. The CPC is working with DCMA to close/rescind delegations on contracts that do not have property, and ensure that DCMA is delegated administration over contracts that have significant GFP. These efforts will: (1) allow OAM to reconcile its property records with those of DCMA, which will eliminate one area of concern for the OIG and (2) provide an accurate database and internal control that will help OAM determine which contracts need property reviews by DCMA. This will significantly help us in managing the interagency agreement properly. The CPC is also working to determine the level of property administration needed for contracts that have GFP, but were not delegated to DCMA because of their low risk level.

We expect to complete the reconciliation of our records with DCMA, and have an automated accurate database for use in determining the contracts that need property reviews by March 31, 2007. Determining the level of property administration needed for contracts not delegated to DCMA is an ongoing process, which we will continue to perform as needed.

EPA Did Not Fully Implement Corrective Actions

We agreed that EPA's actions noted in MATS would adequately address the audit concerns, but the Agency did not implement the noted corrective actions. When we reviewed the status of the second recommendation, we found that EPA transferred the CPC position from OAM to OA FMSD in November 2009 and the CPC continues to maintain manual listings of active contracts. There is no automated listing of contracts as stated in the corrective actions. Also, the interagency agreement with DCMA was terminated in May 2009 with no plans to implement any new agreements. In FY 2010, there was no cumulative list of all EPA contracts with CHP, and EPA was not performing property administration over contracts with government property. Even though it noted the second recommendation as complete in MATS, EPA still needs to implement corrective actions.

OAM's contract manager stated that maintaining accurate records and properly administering the interagency agreements with DCMA are ongoing functions that were moved to FMSD and are no longer an OAM action item. Further, the CPC explained that EPA terminated the DCMA interagency agreement for noncompliance, which included not providing detailed information on billing and disposing EPA property without informing EPA. The CPC also stated that no one is performing on-site audits. She stated that she is the only staff person and could not perform the audits last year because of her workload.

In FY 2011, FMSD worked to gather a more comprehensive and accurate list of contractors having contracts and Agency contract property clauses to validate the FY 2011 annual reporting. We believe that EPA should update its corrective action plan.

Conclusion

EPA continues to have inaccurate records because the CPC is the only FMSD staff person who tracks and records CHP. Also, there is no system that provides a continuous update of all EPA contracts with CHP. If EPA does not maintain accurate CHP records, it could inaccurately report CHP in the financial statements. By not performing property administration functions at contractor sites, contractors may not be maintaining property in accordance with the contract or EPA policies. As a result, property could be lost or stolen while in the possession of contractors. EPA should take immediate action to update and implement corrective actions to ensure adequate safeguards over CHP.

Recommendation

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

6. Revise or update the milestone dates and the corrective action plan in MATS for the 2006 audit report and reference any corrective actions, and submit changes to the OIG for tracking.

Agency Comments and OIG Evaluation

EPA agreed with our recommendations and proposed acceptable corrective action plans to address them. Appendix A contains the full text of the Agency'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	11	Quantify the universe of CHP and assign more resources to the property administration function or contract the function to ensure proper oversight and management of CHP.	O	Assistant Administrator for Administration and Resources Management	10/31/12		
2	11	Designate CHP as a significant deficiency until adequate controls are in place to safeguard government property.	O	Assistant Administrator for Administration and Resources Management	4/30/12		
3	11	Develop and implement policies and procedures for the property staff that: <ul style="list-style-type: none"> a. Address how EPA should maintain documentation to support acquisition values reported by contractors on annual property reports. b. Require PMOs to have knowledge of CHP in their accountable areas to ensure it is identified properly in FAS. c. Define CHP responsibilities in locations where contractors and EPA staff are co-located. d. Explain the required exchange between property and contract staffs to ensure EPA records property accurately in the financial statements. 	O	Assistant Administrator for Administration and Resources Management	10/31/13		
4	11	Train property staff and COs on current and any new responsibilities over contracts with government property to ensure consistent application of and adherence to EPA's administration of its property management program.	O	Assistant Administrator for Administration and Resources Management	10/31/13		
5	16	Develop and implement internal controls that require the Reporting and Analysis Staff to review the funding appropriations for contracts with government property prior to allocating funds for CHP in the financial statements.	O	Chief Financial Officer	10/31/12		
6	20	Revise or update the milestone dates and the corrective action plan in MATS for the 2006 audit report and reference any corrective actions, and submit changes to the OIG for tracking.	O	Assistant Administrator for Administration and Resources Management	10/31/13		

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

March 9, 2012

MEMORANDUM

SUBJECT: Response to Draft Report: *EPA Should Improve Controls for Managing Contractor-Held Property* Project No. OA-FY11-0046

FROM: 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 review the subject draft report. In conjunction with the Office of the Chief Financial Officer, we are providing the attached detailed response.

OARM will continue to take significant steps to improve the contract property program. During FY 2011, dramatic progress was made to improve our process for identifying those contracts providing or allowing for contract property assignment. Recent technology enhancements, both planned and implemented by OARM, are expected to further improve the quantity and quality of information available to the agency.

Should you or your staff have questions, please contact Renee Page, director of the Office of Administration at (202) 564-8400 or page.renee@epa.gov.

Attachment

cc: Nanci Gelb
John Showman
Renee Page
John Bashista

Draft Report: EPA Should Improve Controls for Managing Contractor-Held Property
Project No. OA-FY11-0046

Office of Administration and Resources Management

Chapter 2: “EPA Does Not Have Effective Oversight of Contractor-Held Property”

OIG Conclusion:

By having limited controls, not performing property administration, and not tracking the universe of CHP, the Environmental Protection Agency increases the likelihood that government property can be lost or stolen while in the possession of contractors. The EPA should manage CHP effectively, provide oversight, and accurately report the value of CHP on the financial statements. At a minimum, the agency’s controls should include the proper policies and procedures to track and document CHP that is relinquished to contractors. By not ensuring that CHP is accounted for accurately under the correct contract, the EPA increases the risk of misstatements to the financial statements.

OARM Response: OARM concurs with the overall conclusions and findings identified above as they relate to its activities and actions. Our specific responses to the OIG’s recommendations are below:

Recommendations:

The OIG recommends that the Assistant Administrator for Administration and Resources Management:

1. Quantify the universe of contractor- held property and assign more resources to the property administration function or contract the function to ensure proper oversight and management of CHP.

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

- Reevaluate the location of the contract property function within OARM to ensure that appropriate emphasis and resources are assigned to this area. Completion date: June 2012.
- Improve OARM’s ability to track contract property assets by implementing a new property tracking system which will also enhance the tracking of contract property within the EPA Acquisition System (EAS). Completion date: October 2012.

In the short term, OAM has implemented processes to account for property and property clauses within contracts. The EAS was built to include a checkbox field to report Government Furnished Property. Federal Procurement Data Systems –

Next Generation also has a checkbox field, separate from and not fed by the EAS field, for reporting GFP. The EPA is using these systems to track two data points in the property management process – EAS tracks whether a contract contains the GFP clause, while FPDS tracks which contracts actually have government property assigned. These two reports should simplify the property tracking process and provide a comprehensive listing of contracts with GFP. Additionally, the Contract Property Coordinator has been provided EAS access for easier transmission of contract information. OAM has also created a data quality position that will monitor and assess the EPA’s reporting information, including reconciling government property data. Completed: FY2011 Q1.

- Additionally, in order to quickly respond to this issue OAM introduced guidance that requires a quarterly assessment and certification to the OAM Director by the operating division directors and regional acquisition managers. The assessment and certification assures the OAM Director that each office has: 1) reviewed reported GFP information for accuracy and completeness; 2) made any necessary corrections to the data, and 3) validated that all necessary information has been provided to the CPC. Completion date: Initiated FY2011 Q3.
- OAM has implemented a Balanced Scorecard Performance Measurement and Management Program where CHP administration will be highlighted under additional narratives beyond the quarterly assessment and management certification. This includes a self-assessment review on CHP and adding CHP as an area of increased review under the self-assessment and peer review components of the Quality Assurance Program. OAM is developing required performance goals against which procurement quality may be measured and tracked. It is intended that this initiative will aid in the development of approaches to create process improvements and training as needed, based upon Quality Assurance Program review results. Completion date: Initiated FY2011.

2. Designate CHP as a significant deficiency until adequate controls are in place to safeguard government property.

OARM Response: OARM concurs with this recommendation and will make the requested designation. Completion date: Upon the release of the OIG Final Report (estimated to be March/April 2012).

3. Develop and implement policies and procedures for the property staff that:
 - a. Address how the EPA should maintain documentation to support acquisition values reported by contractors on annual property reports.

OARM Response: OARM concurs with this recommendation and proposes the following corrective actions:

- OARM will reinstitute its program of audits of the accountable areas to monitor compliance with property requirements for data entry and document maintenance. OARM will conduct at least six field audits each year to evaluate and provide guidance to the property personnel in accountable areas. Completion date: Initiated FY2012 Q3. This action could be impacted by future constraints on travel and staffing.
 - OARM will conduct monthly teleconferences with field property staff during which their interaction with the contract property program will be discussed and emphasis placed on accurate and timely data entry and document maintenance. Teleconference's are held on the third Thursday of every month.
Completion date: Initiated FY 2012 Q4.
 - The personal property guidelines and manual will be modified to enhance the information and emphasis on those actions where the personal property staff interact with the contract property program. Completion date: October 2012.
- b. Require Program Management Officers to have knowledge of CHP in their accountable areas to ensure it is identified properly in FAS.

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

- OARM will conduct monthly teleconferences with field property staff during which their interaction with the contract property program will be discussed and emphasis placed on accurate and timely data entry and document maintenance. Teleconferences are held on the third Thursday of every month. Completion date: October 2012.
 - The personal property guidelines and manual will be modified to enhance the information and emphasis on those actions where the personal property staff interacts with the contract property program. Completion date: October 2012.
 - OARM will clarify the procedures to be followed by PMOs, PAOs, and PUOs and ensure awareness of all processes for acquiring, decaling, tracking, and disposing of contractor property and how to work closely with contracting officers to support the contract management program operations. Completion date: October 2012.
- c. Define CHP responsibilities in locations where contractors and the EPA staff are co-located.

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

- While these activities and responsibilities are already generally defined, (75 % use standard), guidance is difficult to implement and additional structure and training is needed to ensure compliance. Absent any new clause from the FAR or EPAAR, OARM will investigate the possibility of making procedural changes to internal guidance to clarify and standardize the decision-making process. Completion date: June 2012.
 - OARM will initiate training for COs and POs to improve knowledge. Completion date: Initiated in October 2011.
- d. Explain the required exchange between property and contract staffs to ensure the agency records property accurately in the financial statements.

OARM Response: OARM concurs with this recommendation and will take the corrective actions outlined in sub-paragraph 3b above.

- In addition to the property guidelines and manual being modified, OAM and the CPC are working to jointly update the Contracts Management Manual to include any new or revised property policy and procedures to be followed by the acquisition community. The EPAAR will also be reviewed for potential updating. While EPAAR 1552.245-70 does require the contractor to conform to the requirements in FAR 52.245-1, the only reporting requirement is for the annual summary report which does not contain enough information to result in meaningful Agency reporting. A complete update of EPA acquisition policy is a part of the OAM Balanced Scorecard Performance Measurement and Management Program. Completion date: September 2013.
- New training specific to the acquisition community will also be provided once the policy/procedures have been updated. This will be mandatory training for COs and will include information on the detailed property record that is required to be included on a contract. Completion date: October 2013.
- OAM has implemented a Balanced Scorecard Performance Measurement and Management Program where CHP administration will be highlighted under additional narratives beyond the quarterly assessment and management certification. This includes a self-assessment review on CHP and adding CHP as an area of increased review under the self-assessment and peer review components of the QAP. OAM is developing required performance goals against which procurement quality may be measured and tracked. It is intended that this initiative will aid in the development of approaches to create process improvements, and training as needed, based upon QAP review results. Completion date: Initiated FY2011.

4. Train property staff and COs on current and any new responsibilities over contracts with government property to ensure consistent application of and adherence to the EPA's administration of its property management program.

OARM Response: OARM concurs with this recommendation and will take the corrective actions outlined in sub-paragraph 3b above.

- The Office of Administration Contract Property Coordinator conducted training at the OAM acquisition conference in March 2011. The training provided updated information and guidance on contract property issues. As part of an on-going review and improvement program, OAM and OA have continued to provide periodic training sessions for COs about the importance of ensuring that all contracts containing contract property clauses are identified as such in the EAS. The most recent training session occurred in January 2012. The coordinator has been requested to present several additional webinar/mini-training sessions to OAM personnel over the next fiscal year. Completion date: October 2012.
- New training specific to the acquisition community will also be provided once the policy/procedures have been updated. This will be mandatory training for COs. Completion date: October 2013.

Chapter 3: "EPA Did Not Accurately Report CHP in the Financial Statements with government property prior to allocating funds for CHP in the financial statements."

OIG Conclusion:

EPA's FY 2010 total overstatement is \$34.6 million. The overstatement includes \$17.8 million due to recording incorrect amounts from contractor annual reports and recording duplicate property items. It also included \$16.8 million due to not removing WCF funding from one contract. EPA should develop controls to ensure that the financial staff reviews contract funding prior to reporting CHP on the financial statements. EPA increases the risk that a material misstatement may occur and go undetected when Agency personnel and contractors do not comply with internal policies already in place.

EPA management has placed more emphasis on CHP in fiscal year 2011. EPA addressed the accuracy of CHP in its financial reporting and the recording of the \$25 million contract. We believe EPA should continue its emphasis on accurately reporting CHP in the financial system.

OCFO Response: OCFO concurs with the overall conclusions and findings in this chapter as they relate to our activities and actions, and we plan to take the corrective actions identified below:

Recommendations:

We recommend that the Chief Financial Officer:

5. Develop and implement internal controls that require the Reporting and Analysis Staff to review the funding appropriations for contracts with government property prior to allocating funds for CHP in the financial statements.

OCFO Corrective Actions: OCFO will develop and implement internal controls that require the Reporting and Analysis Staff to review the use of funds to ensure obligations support contractor-held property balances reported in the financial statements.

Completion date: October 2012.

Chapter 4: “EPA Did Not Adequately Address Prior Recommendations on CHP”

OIG Conclusion:

EPA continues to have inaccurate records because the CPC is the only FMSD staff person who tracks and records CHP. Also, there is no system that provides a continuous update of all EPA contracts with CHP. If EPA does not maintain accurate CHP records, it could inaccurately report CHP in the financial statements. By not performing property administration functions at contractor sites, contractors may not be maintaining property in accordance with the contract or EPA policies. As a result, property could be lost or stolen while in the possession of contractors. EPA should take immediate action to update and implement corrective actions to ensure adequate safeguards over CHP.

OARM Response: OARM concurs with the overall conclusions and findings identified above as they relate to OARM activities and actions.

Recommendation:

OIG recommends that the Assistant Administrator for Administration and Resources Management:

6. Revise or update the milestone dates and the corrective action plan in MATS for the 2006 audit report and reference any corrective actions, and submit changes to the inspector general’s office for tracking.

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

- Revisions to the MATS database will update the corrective actions from the 2006 audit. Completion date: May 2012.
 - 2006 Corrective action: Update the policy and procedures regarding GFP management. OAM did update both the Contracts Management Manual (February 2009) and the EPAAR (September 2009) in response to the

2006 audit. However, a new revision regarding GFP has already been initiated in OAM. Completion date: September 2013.

- 2006 Corrective action: Maintain accurate records and properly administer interagency agreements with DCMA. The interagency agreement with DCMA was found to be too expensive and EPA was not receiving the services that had been agreed upon. This agreement was terminated in May 2009 so this corrective action should be deleted.
- 2006 Corrective action: Automated listing of contracts. EAS was built to include a checkbox field to report GFP. Federal Procurement Data Systems – Next Generation also has checkbox field, separate from and not fed by the EAS field, for reporting GFP. The EPA is using these systems to track two data points in the property management process – EAS tracks whether a contract contains the GFP clause, while FPDS tracks which contracts actually have government property assigned. Both of these systems can be used by the CPC to retrieve reports on contracts with property. Completed: FY2011 Q1.
- To augment the corrective actions from 2006, OAM has also developed guidance requiring a quarterly assessment and certification to the OAM Director by the Operating Division Directors and Regional Acquisition Managers. The assessment and certification assures the OAM Director that each office has: 1) reviewed reported GFP information for accuracy and completeness, 2) made any necessary corrections to the data, and 3) validates that all necessary information has been provided to the Contract Property Coordinator. This will provide a check to the information that the coordinator has access to in EAS and Federal Procurement Data Systems – Next Generation. Completion date: Initiated FY2011 Q3.
- The Contracts Management Manual is being updated to include any new or revised property policy and procedures to be followed by the acquisition community. The EPAAR will also be reviewed for potential updating. While EPAAR 1552.245-70 does require the contractor to conform to the requirements in FAR 52.245-1, the only reporting requirement is for the annual summary report which does not contain enough information to result in meaningful agency reporting. A complete update of EPA acquisition policy is a part of the OAM Balanced Scorecard Performance Measurement and Management Program. Completion date: September 2013.
- As OAM continues to follow the Balanced Scorecard Performance Measurement and Management Program, one of the goals identified was to assess the QAP program for improvement opportunities. A Contract Management Assessment Team has been established to review products from the OAM operations divisions to ensure consistency among existing quality oversight and review programs. OAM is developing required performance goals against which procurement quality may be measured and tracked. This initiative will aid in the development of approaches to create process improvements and training as needed, based upon

QAP review results. Improving the management and oversight of GFP will be an FY2012 program goal. Completion date: Initiated FY 2011. Additionally, mandatory training for COs and additional training for CORs on what information is required to be provided when adding property to a contract is anticipated to significantly improve the agency's property management process. As part of the training, best practices and/or standard operating procedures for documenting property on contracts will be included to standardize reporting property and make CHP information more accessible to the Contract Property Coordinator. Completion date: October 2013.

Distribution

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