



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist

Report No. 2006-P-00038

September 27, 2006



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Abbreviations

EPA	U.S. Environmental Protection Agency
ERRS	Emergency Rapid Response Services
FAS	Fixed Assets System
FEMA	Federal Emergency Management Agency
OARM	Office of Administration and Resources Management
OIG	Office of Inspector General
OSWER	Office of Solid Waste and Emergency Response
START	Superfund Technical Assessment and Response Team

Cover photo: Trailers contracted for by EPA to temporarily house employees in Metairie, Louisiana (EPA OIG photo).



At a Glance

Catalyst for Improving the Environment

Why We Did This Review

We sought to determine whether the U.S. Environmental Protection Agency (EPA), in its response efforts related to Hurricane Katrina, adequately designed and effectively implemented controls for expenditures, paid a reasonable price for products and services obtained, and adequately safeguarded purchased assets.

Background

On August 29, 2005, Hurricane Katrina devastated parts of Louisiana, Mississippi, and Alabama. EPA had existing emergency response contracts in place at the time Hurricane Katrina hit, and used these contracts extensively to support its response efforts. The response efforts involved sending numerous personnel to the area and purchasing equipment and services to support them.

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

To view the full report, click on the following link:
www.epa.gov/oig/reports/2006/20060927-2006-P-00038.pdf

Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist

What We Found

EPA's existing contracts awarded for responding to natural disasters worked as intended and allowed EPA to quickly respond to Hurricane Katrina. While opportunities for future improvement exist, EPA's ability to operate under catastrophic conditions was commendable. Almost immediately after Katrina, EPA officials were in affected areas, assessing damage and formulating action plans. As a result, EPA quickly began protecting human health and the environment. Further, existing contracts limited cost risks, because EPA did not have to quickly award a large number of noncompetitive sole source contracts.

EPA still needed to award some noncompetitive contracts valued at about \$9 million during its Katrina response efforts, and we noted areas where EPA can make improvements for future disasters. Contracts need to be flexible, provide sufficient detail on what is being obtained, avoid unnecessarily long periods of performance, adequately support price reasonableness determinations, and ensure procurements are used to address the disaster.

EPA needed to improve its review of contractor invoices to help prevent payment of duplicate, unallowable, and/or unreasonable costs. Our review of a limited number of invoices found that contractors overcharged EPA \$18,298 in duplicate payments, \$54,734 by using inappropriate indirect cost and labor rates, and \$110,843 in inappropriate boat rental costs. During the course of our audit, EPA initiated actions to have contractors repay those amounts. At our urging, EPA placed greater emphasis on reviewing invoices, and its prompt actions eliminated our concerns in this area.

EPA needs to improve plans for property management during catastrophic emergencies. Almost 4 months after Katrina, EPA had in most cases not properly placed decals on equipment and/or recorded equipment in its property system. While this understandably happened because of the emergency situation, EPA should attempt to improve controls for handling future disasters.

What We Recommend

Recognizing that EPA has begun a process to improve its response efforts for future catastrophic events based on its Katrina experience, we made various recommendations to help it prepare for such future events. EPA agreed to take sufficient actions on all recommendations.



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

OFFICE OF
INSPECTOR GENERAL

September 27, 2006

MEMORANDUM

SUBJECT: Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist
Report No. 2006-P-00038

TO: Susan Parker Bodine
Assistant Administrator for Solid Waste and Emergency Response

Luis A. Luna
Assistant Administrator for Administration and Resources Management

James I. Palmer, Jr.
Regional Administrator, Region 4

Richard E. Greene
Regional Administrator, Region 6

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains improvement opportunities that OIG and EPA personnel have identified and recommendations that EPA should consider when responding to future disasters. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The estimated cost of this report – calculated by multiplying the project's staff days by the applicable daily full cost billing rates in effect at the time – is \$462,870.

Action Required

Your response to the draft report adequately addresses the recommendations in this report. Therefore, we will close this report upon issuance and no further response to this report is necessary. We have no objection 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 staff have any questions regarding this report, please contact me at 202-566-0847 or roderick.bill@epa.gov, or Carl Jannetti, the Product Line Director for Contract Audits, at 215-814-5800 or jannetti.carl@epa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill A. Roderick". The signature is written in a cursive style with a horizontal line underneath it.

Bill A. Roderick
Acting Inspector General

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Chapter 1

Introduction

Purpose

On August 29, 2005, Hurricane Katrina made landfall in southeast Louisiana, causing catastrophic damage along the coastlines of Louisiana, Mississippi, and Alabama. The U.S. Environmental Protection Agency (EPA) quickly deployed emergency response personnel who, with the Federal Emergency Management Agency (FEMA) and others, assessed the damage and initiated cleanup operations. EPA largely used existing emergency response contracts for the cleanup, and made other emergency purchases with purchase cards and/or purchase orders. Our audit objectives were to determine whether EPA:

- Adequately designed and effectively implemented controls for authorizing, awarding, documenting, and approving expenditures.
- Paid a reasonable price for goods and services obtained.
- Adequately safeguarded purchased assets.

Background

After Hurricane Katrina struck, EPA responded to protect public health and the environment. EPA dispatched first responders to Louisiana, Mississippi, and Alabama, many of whom initially performed rescue operations. Subsequently, first responders assessed damage; sampled the environment to ensure the public's safety; and began cleaning up the hurricane debris, including hazardous materials.

The magnitude of the disaster required EPA to quickly supplement the first responders with additional EPA personnel from across the Nation. Employees from various regional offices volunteered to assist and went to the affected areas for 2-3 week rotations. While the number of EPA employees fluctuated, the temporary living arrangements that EPA established could accommodate as many as 130 people. Residence logs indicated between 80 to 130 EPA employees used these accommodations during each 2-3 week period. Additionally, EPA contracts provided for about 1,000 contractor personnel for the relief efforts.

EPA's Region 4 office, which is headquartered in Atlanta, Georgia, and is responsible for Alabama and Mississippi, established an Incident Command Center in Biloxi, Mississippi. EPA Region 6, which is headquartered in Dallas, Texas, and is responsible for Louisiana, established its Incident Command Center in Metairie, Louisiana, on the grounds of the Louisiana Technical College. The Metairie center utilized several of the college's buildings and surrounding grounds, as well as 78 trailers for housing up to 130 EPA personnel.

FEMA provided EPA approximately \$750 million for response work needed as a result of Hurricane Katrina and the subsequent Hurricane Rita. FEMA authorized EPA to provide technical assistance and to recover, remove, and dispose of debris and hazardous wastes. EPA also received \$3.5 million from the U.S. Army Corps of Engineers for similar work. EPA's financial system indicated that as of June 2006 it obligated about \$530 million of the \$750 million. EPA was responsible for leading work performed by the U.S. Coast Guard, and the \$530 million included \$107 million that EPA provided directly to the Coast Guard.

EPA's mission requires it to respond to disasters; each region has a cadre of personnel specializing in this type of work. However, the magnitude of the 2006 hurricane response required EPA to purchase and receive significant amounts of equipment and material under catastrophic conditions. The majority of the purchases were made by Region 6 for Louisiana and Region 4 for Alabama and Mississippi.

On September 9, 2005, EPA issued a Class Justification authorizing other-than-full-and-open competition for Hurricane Katrina response requirements. Although used in relatively few circumstances, the justification enabled EPA to obtain contractor support on an urgent, compelling, and noncompetitive basis. Although the justification enabled EPA contracting personnel to expedite the contracting process, it contained several requirements. For example, the contracting officers were required to determine whether the anticipated cost to the Government would be fair and reasonable for each contract action.

Purchase card spending limits (micro-purchase authority) were also increased to expedite hurricane relief. The Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising from the Consequences of Hurricane Katrina (Public Law 109-62) raised the micro-purchase threshold from \$2,500 to \$250,000 for procurements of property or services needed for Hurricane Katrina rescue and relief operations. However, EPA only increased purchase card holders' single purchase limits to \$15,000.

On September 26, 2005, EPA submitted a Stewardship Plan for significant acquisitions related to Hurricane Katrina rescue, recovery, and reconstruction operations, to ensure the prudent use of taxpayer funds. The plan applied to all EPA offices, including acquisition, finance, and program offices. It established a Control Board comprised of Office of Acquisition Management Division Directors (i.e., Chiefs of Contracting Offices), and a representative from the Office of General Counsel, the Office of the Chief Financial Officer, and the Office of the Chief Information Officer. The Office of Inspector General (OIG) participated as a nonvoting member of the group.

The plan required the Board to review “significant acquisitions” related to Hurricane Katrina. Significant acquisitions were defined as:

- Acquisitions in excess of \$5,000,000.
- Micro-purchases between \$15,000 and \$250,000.
- Simplified acquisitions between \$100,000 and \$250,000.
- Purchases of sensitive property, defined as nonexpendable items (such as laptop computers, Blackberries, and cell phones) that may be converted to private use or have a high potential for theft.

The EPA Control Board appointed a representative to review significant transactions. The OIG reviewed many of these transactions collaboratively with the Board’s representative, as well as many transactions not covered by the stewardship plan. The results of both reviews were reported to the Board, which took corrective action in a timely manner. Many of the issues discussed in this report resulted from this collaborative effort.

Scope and Methodology

We performed this audit from September 2005 to April 2006 in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We visited EPA Headquarters in Washington, DC; EPA regional offices in Atlanta, Georgia (Region 4) and Dallas, Texas (Region 6); and the EPA Incident Command Center in Metairie, Louisiana.

At the headquarters, regional, and field level locations, we interviewed EPA officials in the Office of Solid Waste and Emergency Response (OSWER), Office of Administration and Resources Management (OARM), and Regions 4 and 6. We analyzed procurements to determine how they could be improved in the future, and also reviewed documentation related to the following:

Contracts: EPA Regions 4 and 6 used existing Emergency Rapid Response Services (ERRS) and Superfund Technical Assessment and Response Team (START) contracts to perform hurricane relief, and we focused our review on these contracts. We reviewed contractor invoices paid from October 2005 through March 2006 to determine whether the costs billed were allowable, allocable, and reasonable, in accordance with the Federal Acquisition Regulations and contract terms.

Purchase Orders: We reviewed documentation through February 2006 to ensure that EPA procured products and/or services using appropriate acquisition methods (such as sole source, full and open competition, and simplified acquisition procedures), and that the prices paid were reasonable. In some cases, it was difficult to determine the reasonableness of the price paid due to the unstable market environment created by Hurricane Katrina.

Purchase Cards: We reviewed a judgmental sample of purchase card transactions initiated from August 29, 2005, when Katrina struck, through October 2005. Specifically, we sampled purchase card transactions:

- Greater than \$10,000.
- For purchases of sensitive items.
- Possibly split to avoid purchase authority limitations.
- For a large number of purchases by one person or to the same vendor.
- For even dollar amounts.

Equipment Recording and Tracking: We reviewed all purchase order transactions for equipment in EPA's consolidated reports as of January 6, 2006. We also examined purchase card transactions made in September and October 2005 in support of Hurricane Katrina to identify equipment and property purchased. We then compared this purchased equipment and property to the information recorded in EPA's Fixed Assets System.

Internal Control Structure

In planning and performing our audit, we reviewed management controls related to our objectives. We examined the Agency's Stewardship Plan issued on September 26, 2005. This plan outlined EPA's controls and monitoring procedures that would be used to review its costs incurred related to Hurricane Katrina. We examined the Fiscal Year 2005 Federal Managers' Financial Integrity Act Annual Assurance Letters issued to the EPA Administrator by OARM.

Chapter 2

EPA Katrina Response Efforts Commendable; Opportunities for Improvement Noted for Future Disasters

EPA accomplished the majority of its Katrina response work using preexisting contracts, although it did award a limited number of noncompetitive contracts, valued at about \$9 million. EPA made most of these procurements under emergency conditions, and was often rushed because of the need to obtain products and services quickly. While there were several opportunities for improvement, EPA's ability to operate under catastrophic conditions was commendable. Recognizing that EPA may have done things differently under normal circumstances, Agency personnel now have experience to enable them to better anticipate needs for future disaster responses. These experiences can also be applied to other Federal agencies. For example, for future emergency situations, EPA should attempt to ensure that:

- Contract terms are flexible and adaptable to changing requirements.
- Contracts provide sufficient detail on what is being bought and at what cost.
- Periods of performance are not unnecessarily long.
- Price reasonableness determinations are adequately supported.
- Procurements made are actually used to address the disaster.

EPA personnel told us that having more contracting personnel in the disaster area sooner might have mitigated these conditions; negotiations were often performed by facility or response personnel without contracting officer involvement. In any event, EPA took prompt action during the Katrina response to resolve the issues that the Control Board and the OIG identified.

Contract Agreements Needed More Flexibility

Several contracts needed more flexible contract terms so that EPA could adapt more easily to unforeseen circumstances and changing requirements. Given the uncertainties surrounding an emergency response of this size, flexible contracts are important to help protect the Government from obtaining unneeded services.

For example, EPA awarded a food service contract to provide meals to its personnel in New Orleans. The contract stipulated, for a total of almost \$750,000, that the contractor would provide 3 meals a day to a minimum of 150 employees, or a total of 450 meals each day. While the contract contained a provision for the contractor to provide meals to more people, at an extra cost, it did not provide for feeding fewer people. Had the contractor provided 3 meals each day to 150 people, the cost per person would be less than the allowable Government per

diem. Our review of EPA's meal logs from October 13, 2005, through November 14, 2005, showed the average number of meals provided each day was 96 for breakfast, 43 for lunch, and 66 for dinner. Ideally, in response to future disasters, it would be advantageous to have a more flexible contract. With a more flexible contract, EPA may have been able to reduce the number of meals provided by the contractor and reduce costs.

EPA's contract to obtain 66 trailers and related services, valued at over \$4.5 million, also needed more flexibility. While EPA had the option to terminate this 6-month contract for convenience, it had no flexibility to reduce the number of trailers should the occupancy rates warrant a reduction, or if other accommodations (such as hotels, motels, and apartments) became available. With a more flexible contract, EPA could have perhaps saved money on housing and related services by reducing the number of trailers or taking a less expensive option if it became available. In the latter part of the 6-month period, the trailers were not at full occupancy. During the 3-month period ended March 2006, the occupancy rate for the trailers averaged about 63 percent. In March 2006, EPA awarded a new contract for trailers that did include more flexible options.

Contract Requirements Needed More Detail

In several cases, EPA entered into contracts that did not have adequately defined terms and conditions. These contracts did not adequately describe exactly what services would be received, at what levels (e.g., frequency or type) the services would be provided, or how much EPA would pay for individual services.

For example, EPA's aforementioned contract for trailers to house EPA personnel in New Orleans bundled support services. This contract required EPA to pay \$200 per trailer for daily janitorial services, laundry services, toiletries, linens, towels, pillows, and trash removal. These services were not individually priced. Therefore, when trailers were vacant and janitorial, laundry, and linen services were not needed or needed to be reduced, it was difficult to determine the proper amount to be credited to the contract. Moreover, when services are bundled, it is difficult to determine whether the prices paid were reasonable, and we were not able to make such a determination.

Also, EPA's previously noted food service contract to provide meals needed more detail. The contract stipulated 3 meals a day to 150 employees, for a total of 450 meals, at a total contract price of almost \$750,000. However, the contract did not specify either the type of food to be served or a price for each meal. This proved problematic when EPA determined that lunch was unnecessary because many employees traveled to distant work sites. EPA requested that the contractor stop lunch. EPA's contracting officers consequently negotiated to have the contractor increase the quality and quantity of breakfast and dinner rather than reduce the contract price.

Contract Performance Periods Longer than Necessary

Three procurements had performance periods that appeared unnecessarily long. Understandably, it is necessary to pay a premium for emergency services following a disaster. However, as conditions improve and the demand for emergency services subsides, prices should decline. Negotiating emergency services contracts with long periods of performance makes EPA vulnerable to overpaying. Further, EPA entered into many of these early contracts as sole source procurements, and lower rates could likely be obtained later through competition.

For example, on September 10, 2005, EPA entered into a sole source contract for helicopter services at a rate of \$750 per hour. The original order and modification did not specify a period of performance but a subsequent modification established a 12-month period of performance through September 2006. Had this contract remained in place, EPA could have paid the noncompetitive rate for up to 1 year. However, the EPA Control Board representative expressed concern regarding the length of this contract, and EPA ended the contract in November 2005.

Price Reasonableness Determinations Inadequate

On September 9, 2005, EPA issued a Class Justification for Other-Than-Full-and-Open Competition. While this allowed EPA to more easily award contracts needed for Katrina, EPA at times did not meet one important requirement of this class justification. Contracting officers needed to determine that the anticipated cost to the Government would be fair and reasonable. However, in approximately half of the purchase orders reviewed by the OIG and EPA's Control Board representative, price reasonableness determinations were either missing from the file, documented well after the procurement, or inadequately supported.

We considered reasonableness determinations to be inadequately supported because there was little evidence that the contracting officer attempted to check the prices of other sources, such as the Internet, similar procurements, or General Services Administration price lists. Many times the purchaser said it considered prices reasonable based on the past experience or knowledge of the responders.

Non-Katrina Items Purchased Using Relaxed Authority

We found a few instances where EPA used the micro-purchase authority under Hurricane Katrina to purchase items not related to the Katrina response. In most cases, these appeared to be year-end purchases. An example was the purchase of video conferencing equipment using EPA's appropriated funds. EPA bought 12 of the machines on a sole source basis on September 30, 2005, the last day of the fiscal year. The documentation cited the Justification for Other-Than-Full-and-Open Competition authority for Katrina response as the justification. Eventually, three of these machines were in fact used in regions impacted by

Katrina. However, the other nine machines were not. Four of the machines were delivered to Research Triangle Park, North Carolina, while as of February 2006, the remaining five machines remained in their boxes, unopened, in the basement of EPA headquarters in Washington, DC.

Procurements Often Rushed and Contracting Personnel Not Available

Many conditions understandably occurred because of the extreme rush to obtain equipment and services immediately after Hurricane Katrina occurred. However, a contributing factor was that contracting personnel were not always involved in the upfront negotiations. Instead, facility and response personnel sometimes performed preliminary negotiations. EPA's Control Board representative also had this same concern, noting "Documentation suggests that the contractual negotiations are being performed by technical staff leaving various contracting officers to craft contractual language after the fact and based on ambiguous circumstances and agreements." This appeared to have occurred because contracting officers initially sent to the affected area were overwhelmed with work. In some cases, this is why price reasonableness determinations and other documentation were completed after the procurement. Another contributing factor was that the rotation of contracting officers added to workload. Generally every 2 weeks, new contracting officers would arrive and have to review and analyze ongoing procurements and initiate new procurements.

EPA Initiated Corrective Actions Promptly

Many of the contracting issues discussed in this chapter resulted from collaborative reviews by the OIG and EPA's Control Board representative. These issues were discussed with Control Board members, who agreed that contracts needed more flexibility and details, and that periods of performance were at times too long. As a result, EPA took prompt action while the Katrina response was still in process. For example, EPA awarded new contracts for temporary housing and food that contained more flexibility and details. Moreover, EPA terminated several contracts with periods of performance that were considered too long.

While opportunities for improvement still need to be considered, during EPA's response to Hurricane Katrina, personnel made a commendable effort in a major crisis situation. EPA should consider its Katrina experiences to better prepare for future disaster responses. In that light, EPA should consider increasing the number of contracting officers in the field immediately after large disasters. It should also consider having contracts in place for services, such as housing and food service, that it will need to respond to future disasters. Region 6 personnel indicated that, at their request, EPA headquarters has initiated a process to establish these types of contracts.

Recommendations

Recognizing that the Assistant Administrators for OSWER and OARM have begun a process to improve EPA's response efforts for future catastrophic events based on its Katrina experience, we recommend that the Assistant Administrators:

- 2-1 Develop a strategy/plan to deploy a sufficient number of contracting officers and other support personnel to an emergency response area.
- 2-2 Develop predetermined lists of volunteers who are willing to be deployed for time periods of 2 weeks or longer.
- 2-3 Continue exploring establishing advance agreements with vendors that are flexible and detailed for the items EPA used substantially during its Katrina response, such as housing, recreational vehicles, and food services.

Agency Response and OIG Comment

EPA concurs with all of the recommendations in this chapter, and has initiated actions to address the recommendations. EPA has developed and provided initial training for a Response Support Corps list of EPA personnel willing and prepared to deploy to future incidents of national significance. This list includes contracting personnel. OARM is an active participant in the Government-wide Chief Acquisition Officer Council Contracting Contingency Work Group, which has a goal of creating a similar Government-wide list for use by all Federal agencies in the event of future incidents of national significance. OARM is also working with the Office of Management and Budget to develop a list of Federal Government-wide acquisition professionals who can be called upon to support emergency response efforts.

OARM is currently in the process of awarding two national blanket purchasing agreements to provide emergency response technical support and logistical services (food, housing, facilities, etc.). The terms and conditions of these agreements will be as flexible as possible to address the lessons learned by EPA responses to incidents of national significance, including Hurricanes Katrina and Rita.

OARM, however, does not agree that negotiations were often performed by facility or response personnel without contracting officer involvement. It stated that no Region 6 facility/logistics personnel participated in negotiations without a warranted contracting officer present.

OARM stated that it prefers the more flexible and detailed contract terms and agreed these contract types would have been beneficial. However, due to the circumstances, it believes they made the correct decisions. The EPA contracting

officer negotiated the absolute minimum the vendor was willing to accept to plan and prepare meals. Likewise, they contend they negotiated a daily rate for the trailers that was considerably less than the FEMA-allowable per diem, in spite of the lack of opportunity to build in flexibility within the initial emergency housing contract. Moreover, as market conditions changed and flexibility could be built into the solicitation, the trailer contracts were re-competed.

While the OIG did not observe the negotiations, a number of EPA personnel in the disaster area who observed and participated in negotiations told us and EPA's Control Board Representative that facility or response personnel performed negotiations without contracting officer involvement. We agree that the housing and food services contracts were negotiated and awarded under less than ideal conditions. Our reporting that future contracts awarded under similar conditions should be more detailed and flexible was not intended as a criticism of the contracts awarded for the Katrina response or the price paid for each trailer. The intent of our report is to offer suggestions for the future.

We made requested changes to the report when we deemed them appropriate. The full text of EPA's response is in Appendix A.

Chapter 3

EPA Can Improve Reviews of Contractor Invoices

EPA needed to improve its review of contractor invoices to help prevent payment of duplicate, unallowable, and/or unreasonable costs. Our review of a limited number of invoices found that contractors overcharged EPA:

- \$18,298 in duplicate payments.
- \$54,734 by using inappropriate indirect cost and labor rates.
- \$110,843 in boat rentals.

We brought these matters to EPA's attention during our review. EPA agreed with all those overcharges and contractors have agreed to repay the Agency. The overcharges often occurred because EPA did not assign an adequate number of experienced contracting personnel to review contractor billings. We noted that EPA promptly assigned more personnel to review contractor billings after we brought this issue to their attention, eliminating our concerns in this area and reducing EPA's vulnerability to further duplicate charges and erroneous billings.

EPA Contracting Personnel Did Not Perform Sufficient Reviews

During the initial stages of EPA's response to Hurricane Katrina, EPA contracting personnel did not perform detailed reviews of amounts billed on the Region 4 START and ERRS contracts, as well as the Region 6 ERRS contracts. In many cases, the contracting officers relied on reviews performed by response personnel in the affected area who were directing the cleanup. Conversely, the contracting officer and project officer for the Region 6 START contract did perform detailed reviews of each invoice.

EPA policy requires contracting officers to perform one detailed review of a contractor's invoices each year. Most contracting officers cited this policy as a reason they performed limited invoice reviews. They also said they did not have enough time to perform detailed reviews because the number of transactions and the costs billed on the START and ERRS contracts increased significantly because of Hurricane Katrina. However, this increased volume also escalated the risk of errors, overcharges, and erroneous double billings to EPA.

Duplicate Charges and Billing Errors Occurred

Soon after EPA began its response to Hurricane Katrina, we reviewed the costs submitted by the six ERRS contractors on their initial billings to verify the accuracy of the amounts billed to EPA. Our review identified several duplicate charges, as noted in Table 3-1. We brought these duplicate charges to the

attention of EPA personnel during our review. The contractors concurred with our review results and have agreed to repay EPA.

Table 3-1: Duplicate Charges

Contractor	Duplicate Charges	Amount
1	Labor (22 separate instances)	\$14,003
1	Per Diem	669
2	Equipment (6 separate instances)	1,682
3	Labor	1,696
3	Equipment	248
Total		\$18,298

Source: EPA OIG analysis of contractor invoices

As part of our review, we also verified the accuracy of direct labor rates charged, labor categories used, and indirect rates billed. We noted various overcharges (see Table 3-2), which we brought to EPA’s attention during our review. The contractors concurred with our review results and have agreed to repay EPA.

Table 3-2: Overcharges Related to Inappropriate Indirect Cost and Labor Rates

Contractor	Overcharges for	Amount
1	General & Administrative Rate	\$51,503
5	Labor Rate	2,888
6	Labor Category	343
Total		\$54,734

Source: EPA OIG analysis of contractor invoices

EPA Overcharged for Contractor-Owned Boats

The ERRS contracts with all six contractors assisting with the Katrina response specified that the maximum charge for each contractor-owned equipment item used on a task order should not exceed the contractor's average purchase price or the average value for all similar pieces of equipment in their inventory. When the average purchase price is reached on a particular task order, a usage rate must be negotiated with the contracting officer before additional amounts are billed. The usage rate is to reimburse the contractor for operating costs such as maintenance, license, and insurance.

We noted numerous instances where the contractor or its subcontractors either billed, or had charges approved for invoices that would be submitted, for more than the average purchase price of company-owned boats. In some cases, the average purchase price was surpassed after just 21 days of usage. When we informed Region 6 personnel about this issue they determined that the clause limiting charges for contractor-owned equipment did not flow down to subcontracts. Subsequently, the contractor agreed to implement this practice with their subcontractors, and is currently working to reimburse EPA the amounts charged in excess of average purchase prices. By our calculations, EPA has been overcharged more than \$110,000 for boat rentals, as shown in Table 3-3.

Table 3-3: Overcharges Related to Boat Rentals

Boat Type	Task Order	Amount Charged	Average Purchase Price	Amount Overcharged
Boat 14/16 ft. JEC1	56	\$10,598	\$6,770	\$3,828
Pontoon Boat ONYX-1	56	46,234	16,176	30,058
Pontoon Boat ONYX-2	56	46,234	16,176	30,058
Boat 21ft. 0555-11	56	46,234	16,176	30,058
16ft. Monarch 0255-04	52	7,895	6,770	1,125
20ft. Sea Ark 9855-02	52	28,070	16,176	11,894
24ft. Boat w/cabin 0155-05	52	16,512	16,176	336
26ft. Spill Boat 0555-07	52	17,338	16,176	1,162
28ft. Spill Boat 0555-06	52	17,338	16,176	1,162
G3 20ft. Boat 0555-11	52	17,338	16,176	1,162
Total				\$110,843

Source: EPA OIG analysis of contractor invoices

EPA Needs Increased Review of Invoices during Catastrophes

We recognize that current procedures provide for EPA personnel to review, on a daily basis, supporting documentation that contractors use to bill the Agency. However, the personnel performing these initial reviews do not have the same knowledge of the contract terms and requirements as the contracting personnel in the regional office who are normally responsible for the contract, and do not always review the same documentation. The initial field reviews can be rigorous, and are performed on a daily basis, but are only of supporting documentation. Contracting officer reviews normally evaluate the actual bill along with supporting documentation in its entirety and in greater depth on a biweekly or monthly basis.

Current procedures specify that contracting officers provide a detailed review of one contractor invoice each year, with response personnel providing additional reviews. However, EPA's response to incidents such as Hurricane Katrina substantially increased the volume of transactions normally experienced. The increased volume associated with catastrophic incidents significantly increases the risk of errors, fraud, waste, and abuse. Under such conditions, EPA should establish a plan that provides additional contracting personnel to review more invoices than reviewed under normal circumstances.

During our review, we explained to EPA personnel the need for more detailed invoice reviews by the contracting officers in the regional offices. Region 4 promptly provided additional contracting personnel to review invoices for hurricane relief. Their subsequent reviews found numerous additional errors, discrepancies, and overcharges. These reviews show the need for increased attention by contracting personnel. Region 6 officials indicated they also increased reviews of invoices.

Recommendations

We recommend that the Assistant Administrator for OSWER, in conjunction with OARM:

- 3-1 Establish a policy and procedures for reviewing contractor invoices submitted during disasters that provide for additional contracting personnel in the regional offices so that more billings can be reviewed under each contract being used.
- 3-2 Ensure that contract clauses to limit charges for contractor-owned equipment flow down from the prime contract to the subcontracts.

We further recommend that the Regional Administrator, Region 6:

- 3-3 Continue efforts to recoup the amounts overcharged by contractors for boat rental that exceeded the average purchase price.

Agency Response and OIG Comment

EPA concurs with all of the recommendations in this chapter, and has initiated actions to address the recommendations. EPA is currently reviewing applicable guidance documents containing requirements and recommendations for personnel to perform timely reviews of invoices at the deployment site. Further, selected EPA contracting officers participated in an Incident Command System symposium in August 2006 to address key response support issues, including contract management and invoice approval. The Incident Command positions of Finance Section Chief, Procurement Unit Leader, and Cost Unit Leader are being further clarified to ensure roles and responsibilities are clearly established and communicated (including invoice approvals). Additionally, EPA states that it will review all affected contracts and ensure that the contract clauses limit charges for contractor-owned equipment, and Region 6 will continue to work with the contractor to ensure reimbursements or credits are received by EPA for boat rentals that exceeded the average purchase price.

However, EPA believes its invoice review process was adequate, especially considering the extraordinary nature of the incident. The review process evolved and improved throughout the response. The team of field accountants that reviewed the 1900-55 daily reports included experienced ERRS contracting officers/contract specialists, and project officers from other regions. The process evolved from line-by-line reviews of the daily reports, including identifying and reporting deficiencies, to proactively reviewing invoices as they were being prepared onsite. This practice enabled numerous corrections to be made before the invoices were finalized. As the OIG review was concurrent with the EPA invoice review, EPA was unable to verify, with the information provided, whether

the charges identified by the OIG were in addition to the errors found during our review process.

OARM's actions taken and planned meet the intent of our recommendations. However, we do not agree with OARM's comment that its initial invoice review process was adequate considering the extraordinary nature of the incident. Because of the extraordinary nature of the hurricane response, more review capacity was needed initially for invoices. Additional capacity was added after OIG reviews highlighted errors and overcharges by the contractors. The overcharges for boat rentals are one such overcharge the OIG identified. The purpose of this chapter was to highlight the need for adding review capacity to EPA's initial response actions when major disasters occur. Based on OARM's response, it appears EPA will plan for this during future disasters.

We made requested changes to the report when we deemed them appropriate. The full text of EPA's response is in Appendix A.

Chapter 4

Property Management during a Disaster Challenging

EPA's procedures for managing property appeared to be generally adequate for normal business situations, but EPA's response to Hurricane Katrina was far from normal business. As a result, EPA property purchased for hurricane relief was not initially safeguarded and recorded properly. After we and EPA's Control Board representative highlighted this need, EPA took action to locate and record equipment purchases. However, EPA's subsequent property management efforts proved difficult and resource intensive. We recognize that it may not be possible to eliminate all the challenges associated with property management when responding to a disaster. Nonetheless, to better safeguard property, EPA needs to revise its procedures for managing property during future disaster responses. EPA personnel agreed, and while the Katrina response was still in process, they formed a workgroup to determine how to improve property management procedures for future disaster situations.

Katrina Caused Problems in Property Management

EPA defines property as nonconsumable items acquired specifically for the use of a Government employee at the job site. They include such items as computers, communication devices, and test equipment. Individual items purchased by EPA for the Hurricane Katrina response cost as much as \$82,500. EPA's procedures stipulate that equipment costing \$5,000 or more, as well as items on the "Sensitive Items" lists, must have a bar code decal affixed to them and entered into the Fixed Assets System (FAS) database. This system shows the location of the item and assigns responsibility for safeguarding it. Normally, most accountable property is received at a central EPA location, given a decal at the time of delivery, and then entered into FAS before being put into use. EPA guidance further provides that if equipment is delivered directly to the user, the user must notify the custodial officer so that the item can be recorded in FAS.

EPA did not begin affixing decals and recording most items purchased for its hurricane response until approximately 4 months after Katrina occurred. By that time, identifying and locating the property purchased was difficult due to both the volume of items acquired and the various methods used to acquire them. Large portions of the equipment were purchased by personnel in regional offices and delivered to the affected areas, and by EPA personnel in the devastated areas usually via Government purchase cards. Equipment was delivered to various locations within a three-State area either without property specialists available or without them knowing the equipment was purchased and delivered. As a result, equipment valued at about \$6 million was initially pressed into service without normal safeguards. Even several months after most items were decaled and

recorded, we remained concerned as to whether EPA will be able to identify all items purchased and verify whether they have been properly decal and safeguarded. During the Katrina response, which involved various States, numerous locations received materials and equipment. Also, several EPA personnel told us they believed having more property management specialists earlier in the process may have helped. For future disasters, EPA managers should try to determine whether they can minimize the number of locations where materials and equipment are initially delivered, and also provide a sufficient number of property management specialists.

There was much confusion about how equipment should be recorded in FAS. Some responders were either not aware of EPA's property management requirements, or used different "homegrown" methods. For example, Region 4 did not input equipment into the FAS. Instead, it planned to rely on temporary log/data sheets maintained in the field until the equipment was returned to EPA offices, at which time it planned to decal and enter equipment into FAS. Similarly, an on-scene coordinator responsible for setting up 11 satellite dishes in all three States, costing a total of almost \$250,000, did not enter the items into FAS, and instead entered them into a spreadsheet and used a map to keep track of where the dishes were located. Initially, both Regions 4 and 6 used informal and incomplete accountability methods during the aftermath of Hurricane Katrina.

There was also confusion about which items should be entered into FAS. Normally, items costing less than \$5,000 are not entered into FAS unless they are considered sensitive items that are defined as having a "high potential for theft or to be converted to private use." However, these rather vague terms caused confusion among property management personnel. As a result, Region 4's three separate accountable areas and Region 6 did not consider many similar items as sensitive. Most regions had their own lists of which items they considered sensitive. In early January 2006, EPA established a national sensitive items list. EPA needs to ensure this list is widely disseminated throughout the Agency and updated periodically, since most regions had their own sensitive items lists.

Further complicating the process, purchases made for Katrina relief using purchase orders and purchase cards were not segregated. Rather, they were commingled with all other purchases for normal business. We shared the documents related to equipment purchases that we had obtained with Region 6, where most of the equipment purchases were made, but the process of identifying and recording equipment still proved tedious and very time consuming. Several months later, Region 6 had limited assurances that all equipment purchased for Katrina had been given decals and recorded into FAS. EPA needs to devise a process to segregate the documentation for equipment purchased for disaster relief from routine business equipment purchases. This will facilitate the recording and decaling of equipment rushed into service. The Agency should determine the feasibility of providing responders with emergency purchase cards issued only for a specific disaster, as one method to segregate purchase documentation.

Steps Taken to Safeguard Equipment during Katrina Response

When we brought the need to record and safeguard equipment to EPA's attention, Region 4 personnel told us they planned to continue relying on the log sheets being maintained in the field, and affix decals and record the equipment into FAS after it was returned to the Region. While Region 4's process did not follow EPA's procedures, it purchased insignificant amounts of equipment in comparison to Region 6.

Conversely, when we informed personnel in Region 6, where the vast majority of the equipment was purchased, they made an immediate and concerted effort to identify purchased equipment. However, because Region 6 property managers had not received much of the purchase order information and purchase card receipts, they needed to search for supporting documentation or physically locate items and then search for purchase records. Much of the equipment was purchased using the Government purchase cards of numerous volunteers from EPA offices across the Nation. When they returned to their regional offices, the purchase card receipts went with them.

Delaying the decaling and recording of purchased property and equipment in FAS placed significant amounts of EPA and FEMA property at risk of being lost or stolen because no one was responsible for the items. Initially, differences between regions impacted both the type of items to be decaled and recorded, as well as when it would be recorded into the system. Incomplete information such as this could hinder EPA's ability to obtain and use equipment needed to protect public health and the environment in the event of a terrorist attack or other nationally significant incident. Where possible, EPA should attempt to further adapt and refine its existing property management requirements to accommodate the unusual and unforeseen conditions experienced during its response to Hurricane Katrina.

Recommendation

4-1 Recognizing that the Assistant Administrator for OSWER has begun a process to improve EPA's response efforts for future catastrophic events based on its Katrina experience, and that the Assistant Administrator for OARM has initiated a similar process for safeguarding equipment, we recommend that the Assistant Administrators for OSWER and OARM consider:

- Centralizing or reducing the number of locations for equipment receipt.
- Providing a sufficient number of property specialists in the affected area early during the crisis.

- Ensuring that sensitive items included in the Agency's list are clearly defined, updated periodically, and disseminated regularly.
- Issuing purchase cards to responders for purchases during a specific disaster.
- Establishing a national custodial area in FAS for future large-scale national disasters so that all equipment purchases can be recorded more quickly and in a central location.

Agency Response and OIG Comment

OARM and OSWER concurred with all of our recommendations except one, and provided several comments. Regarding its ability to centralize equipment receipt, EPA stated that depending on the specific nature and scope of the incident, EPA's response process will typically include a central location for equipment delivery and recording/tracking. There may, however, be situations that warrant delivery directly to noncentralized response sites. The Logistics Chief is responsible for this determination, and EPA said the final version of the Incident Management Handbook that addresses the Logistics Chief responsibilities will be completed by December 31, 2006.

EPA agreed with the need to provide a sufficient number of property specialists to a crisis area, and has provided initial training to Response Support Corps personnel, including property specialists, who are willing to deploy to future incidents of national significance. OSWER and OARM are developing a national inventory tracking system to ensure consistent and accurate equipment tracking and management. It is scheduled to be deployed in January 2007. OARM also has drafted a new policy to clarify and communicate the appropriate process and related requirements for property management during responses to incidents of national significance. EPA said this document, which will include the OIG's recommendation, should be completed by December 31, 2006.

EPA personnel did not agree to provide its emergency responders purchase cards for use in any response. They indicated it would be problematic to wait for a disaster to occur before issuing new cards to responders. They understand there is a need to segregate and track purchases made in response to a specific disaster situation. However, they believe this can be better accomplished through electronic logs to capture and store information on such purchases. They plan on developing and implementing this capability in Fiscal Year 2007.

EPA said the OIG report implies that property accountability was neglected because EPA did not begin affixing decals and recording items purchased for its hurricane response for approximately 4 months. EPA said the report should reflect that 15 days after Hurricane Katrina, a task order was issued to the Region 6 contractors to develop a property tracking data base. This tasking

illustrates the Agency's recognition of the need to track property. Additionally, a T-card system was established to track field equipment. These interim systems initially utilized in lieu of decals did provide basic accountability for property and equipment purchased for the immediate response.

In the early days of the response, there was understandable confusion regarding recording accountable property information within FAS. EPA said the report should accurately reflect that the responsibility for entering information on the 11 satellite dishes procured by EPA headquarters rested with each region's property officers. This equipment belonged to EPA, and was not procured with FEMA dollars. To immediately provide communications support for the Katrina response, the equipment was drop-shipped to the field once it was procured, in lieu of being sent to the regional offices for FAS entries by the responsible parties. This immediate critical support requirement clearly illustrates why interim property procedures were put in place until such time as the appropriate accountable property personnel became involved.

We believe EPA's response meets the intent of all our recommendations. Its reluctance to issue purchase cards to emergency responders is understandable. We offered this as a recommendation, and EPA's alternative appears worthwhile. We agree there was understandably confusion in the aftermath of Katrina. However, we do not agree that EPA's interim property procedures were the optimum method to cope with a disaster of this magnitude. The confusion surrounding how and who should record the satellite dishes is evidence enough. Stating that it took 4 months to begin recording purchases was not intended as a criticism, but an indication that locating and recording equipment after the fact with documentation scattered across a large response area should be avoided if possible. It proved to be extremely labor-intensive for EPA personnel to record equipment purchases after the equipment was pressed into use. EPA needs to review what happened during Katrina with a view toward improving its responses to future disasters.

We made requested changes to the report when we deemed them appropriate. The full text of EPA's response is in Appendix A.

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
2-1	9	Develop a strategy/plan to deploy a sufficient number of contracting officers and other support personnel to an emergency response area.	O	Assistant Administrators for OSWER and OARM	12/31/06		
2-2	9	Develop pre-determined lists of volunteers who are willing to be deployed for time periods of 2 weeks or longer.	C	Assistant Administrators for OSWER and OARM	04/30/06		
2-3	9	Continue exploring establishing advance agreements with vendors that are flexible and detailed for items that EPA used substantially during its Katrina response, such as housing, recreational vehicles, and food services.	O	Assistant Administrators for OSWER and OARM	09/30/06		
3-1	14	Establish a policy and procedures for reviewing contractor invoices submitted during disasters that provide for additional contracting personnel in the regional offices so that more billings can be reviewed under each contract being used.	O	Assistant Administrators for OSWER and OARM	12/31/06		
3-2	14	Ensure that contract clauses to limit charges for contractor-owned equipment flow down from the prime contract to the subcontracts.	O	Assistant Administrators for OSWER and OARM	12/31/06		
3-3	14	Continue efforts to recoup the amounts overcharged by contractors for boat rental that exceeded the average purchase price.	O	Regional Administrator, Region 6	12/31/06	\$110.8	\$110.8
-		Based on our recommendations during the course of our review, EPA recovered \$18,298 from contractors in duplicate charges.		-		\$18.3	\$18.3
-		Based on our recommendations during the course of our review, EPA recovered \$54,734 from contractors for overcharges related to indirect cost and labor rates.		-		\$54.7	\$54.7
4-1	18	Consider centralizing or reducing the number of locations for equipment receipt; providing a sufficient number of property specialists in the affected area early during the crisis; ensuring that sensitive items included in the Agency's list are clearly defined, updated periodically, and disseminated regularly; issuing purchase cards to responders for purchases during a specific disaster; and establishing a national custodial area in FAS for future large-scale national disasters so that all equipment purchases can be recorded more quickly and in a central location. ²	O	Assistant Administrators for OSWER and OARM	12/31/06		

1 O = recommendation is open with agreed-to corrective actions pending

C = recommendation is closed with all agreed-to actions completed

U = recommendation is undecided with resolution efforts in progress

2 EPA agreed to take an acceptable alternative action in lieu of issuing purchase cards to responders

Full Text of Agency Response

MEMORANDUM

SUBJECT: Response to Draft Audit Report: Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist

FROM: Luis A. Luna
Assistant Administrator

TO: Carl A. Jannetti
Director, Contract Audits

Thank you for the opportunity to submit comments on the draft report entitled, “Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist.” We generally agree with the draft report’s findings and recommendations, but have attached specific and detailed comments below.

Should you have any questions, please contact Kerrie O’Hagan, Division Director of the Policy, Training, and Oversight Division in the Office of Acquisition Management, at (202) 564-4479.

cc: Chuck Gherardini
Kerrie O’Hagan
Cris Thompson
John Oliver
John Trefry
Johnsie Webster
Lucy Yarbrough
Brenda Durden

Comments on Draft Audit Report - “Existing Contracts Enabled EPA to Quickly Respond to Hurricane Katrina; Future Improvement Opportunities Exist”

General Comments on Report/Findings -

- Chapter 1, Page 1, Background - 3rd paragraph, 1st line - Please change “EPA” to “EPA, Region 6,”. We had more than one Incident Command Center (ICC). The Metairie ICC was the one established in Region 6. Another ICC was established in Region 4, first in Mobile, AL., then moved to Biloxi, MS.

- Chapter 2, Page 5, Background, 2nd full paragraph - The draft report states “negotiations were often performed by facility or response personnel without contracting officer involvement.” This is not correct. Market research was performed by personnel other than procurement staff, an acceptable contracting practice, but no Region 6 facility/logistics personnel participated in negotiations without a warranted contracting officer present.

- Chapter 2, Page 5, Contract Agreements Need More Flexibility - We agree that more flexible contract terms for both food service and the trailers would have been beneficial. However, due to the circumstances (extremely limited sources who could provide these items, coupled with the vendors’ unwillingness to accept less than a guaranteed amount/price), we believe we made the correct decisions. The EPA contracting officer negotiated the absolute minimum the vendor was willing to accept in order to plan meals and purchase the food required to prepare the meals. Likewise, we negotiated a daily rate for the trailers that was considerably less than the FEMA allowable per diem, in spite of the lack of opportunity to build in flexibility within the initial emergency housing contract. Please note that, as market conditions changed and flexibility could be built into the solicitation, the trailer contracts were re-competed.

- Chapter 2, Page 6, Contract Requirements Need More Detail - 2nd paragraph - Although these services were not individually priced, the continuous occupancy of the trailers required that the services be performed daily. While it is normally preferable to separate custodial services, due to the lack of available sources in the weeks following the disaster and the immediate need for acceptable housing, it was determined to be in the best interest of the Government to combine services.

- Chapter 2, Page 8, Procurements Often Rushed and Contracting Personnel Not Available - The draft report states “facility and response personnel sometimes performed preliminary negotiations.” As we stated above, the facility and response personnel performed market research, not negotiations. When the time came to negotiate scope and price, Region 6 facility/logistics personnel never participated in negotiations without a warranted contracting officer present.

- Chapter 3, Page 12, EPA Overcharged for Contractor-Owned Boats - 1st paragraph, 2nd line - After the sentence ending “...did not flow down to subcontracts,” we would like to add the following sentence: “However, the contractor has agreed to implement this practice with their subcontractors, and is currently working on a reimbursement of amounts charged in excess of average purchase prices.”

- Chapter 3, Page 12, EPA Needs Increased Review of Invoices During Catastrophes - 2nd paragraph - The review process evolved and improved throughout the response. The team of field accountants that reviewed the 1900-55 daily reports included experienced ERRS contracting officers/contract specialists, and project officers from other Regions. The process evolved from line by line reviews of the daily reports, including identifying and reporting deficiencies, to proactively reviewing invoices as they were being prepared on-site. This practice enabled numerous corrections to be made before the invoices were finalized. In addition, the normal program review took place on the invoices, utilizing the Removal Cost Management System (RCMS) invoicing module. All discrepancies found were addressed and resolved by the contractors, contracting officers, and project officers. As the OIG review was concurrent with the EPA invoice review, EPA was unable to verify, with the information provided, whether the charges identified by the OIG were in addition to the errors found during our review process.

- Chapter 3, Page 12, EPA Needs Increased Review of Invoices During Catastrophes - last paragraph, 2nd sentence - Please add Region 6 to this sentence. Both Regions provided additional contracting personnel for the invoice reviews.

- Chapter 3, Page 13, EPA Needs Increased Review of Invoices During Catastrophes - Delete the last sentence, starting "Region 6...." The last comment above addresses Region 6's action.

- Chapter 4, Page 14, Katrina Caused Problems in Property Management – 1st paragraph – Please change the term "custodial officer" to "property accountable officer (PAO)."

- Chapter 4, Page 14, Katrina Caused Problems in Property Management - 2nd paragraph - The draft report states that "EPA did not begin affixing decals and recording items purchased for its hurricane response until approximately 4 months after Katrina occurred." This language implies that property accountability was neglected. The report should accurately reflect that, on September 12, 2005, fifteen days after Hurricane Katrina, a task order was issued to the Region 6 START contractors to develop a property tracking data base. This tasking illustrates the Agency's recognition of the need to track property purchased in response to this disaster. Additionally, the USCG T-card system was established to track field equipment for operational decision-making purposes.

Although the draft report criticizes EPA for not affixing decals to accountable property and entering information into the Fixed Asset System (FAS) as required under EPA property guidelines, the report should recognize that the systems initially utilized in lieu of decals did, in fact, provide basic accountability for property and equipment purchased for the immediate response. These interim procedures were used while EPA Logistics personnel were continuing to provide essentially needed support for responders. Once the critical first stages of the response were brought under control, the purchase and delivery/receiving processes were brought on line when Region 6 Logistical personnel became engaged in the response.

- Chapter 4, Page 15, Katrina Caused Problems in Property Management – 2nd paragraph - In the early days of the response, there was understandable confusion regarding recording accountable

property information within FAS. The report should accurately reflect that the responsibility for entering information on the 11 satellite dishes procured by HQ EPA through its National Approach to Response (NAR 4) communications equipment contract, rested with each Region's property accountable officers. This equipment belonged to EPA, and was not procured with FEMA dollars. To immediately provide communications support for the Katrina response, the equipment was drop shipped to the field once it was procured, in lieu of being sent to the Regional Offices for FAS entries by the responsible parties. This immediate critical support requirement clearly illustrates why interim property procedures were put in place until such time as the appropriate accountable property personnel became involved.

- Chapter 4, Page 16, Steps Taken to Safeguard Equipment during Katrina Response – 3rd paragraph - We recommend replacing the third sentence with the following: "Incomplete information such as this could hinder EPA's ability to maximize the effectiveness with which it utilizes equipment for responding to disasters."

Comments on Recommendations –

2-1 – Recognizing that the Assistant Administrators for OSWER and OARM have begun a process to improve EPA's response efforts for future catastrophic events based on its Katrina experience, we recommend that the Assistant Administrators develop a strategy/plan to deploy a sufficient number of contracting officers and other support personnel to the emergency response area.

Response – We concur with this recommendation. We also suggest adding the words "or make available" after "deploy," as well as a new sentence to the Recommendation that reads: "This should be a flexible strategy where the Region(s) can determine the deployment strategy based on the individual requirements of the emergency."

OSWER and OARM have initiated the following to address this Recommendation:

- EPA has developed and provided initial training for a Response Support Corps (RSC) list of EPA Headquarters and Regional personnel willing and prepared to deploy to future incidents of national significance (INS). This list includes contracting personnel. OSWER is working with EPA's National Incident Coordination Team (NICT) and the Regional RSC coordinators to develop national guidance that will identify and refine the training and exercise requirements for the RSC. OARM/OAM is participating on the further development of this list, including contracting officers. A National RSC Guidance document is expected to be available by December 2006. Part of this guidance will include the requirement that personnel deploy for two weeks or longer.

- OARM/OAM has already prepared a Headquarters/Regional List of Contracting Officers available to be deployed to support EPA response activities, as part of a Federal Government-wide effort. This list was prepared in April 2006. OARM/OAM is an active participant in the Government-wide Chief Acquisition Officer Council (CAOC) Contracting Contingency Work Group, which has a goal of creating a similar Government-wide list for use by any and all Federal agencies in the event of future incidents of national significance.

- OARM/OAM is working with OMB to develop a list of Federal Government-wide acquisition professionals that can be called upon by Federal agencies to support emergency response efforts. This program includes providing emergency response training tailored to the contracting functions that may be needed for responding to incidents of national significance.

2-2 – Recognizing that the Assistant Administrators for OSWER and OARM have begun a process to improve EPA’s response efforts for future catastrophic events based on its Katrina experience, we recommend that the Assistant Administrators develop pre-determined lists of volunteers who are willing to be deployed for periods of 2 weeks or longer.

Response – We concur. Please see our comments above for Recommendation 2-1.

2-3 – Recognizing that the Assistant Administrators for OSWER and OARM have begun a process to improve EPA’s response efforts for future catastrophic events based on its Katrina experience, we recommend that the Assistant Administrators continue exploring establishing advance agreements with vendors that are flexible and detailed for the items EPA used substantially during its Katrina response, such as housing, recreational vehicles, and food services.

Response – We concur. OARM/OAM is leading the effort to address this issue, and is currently in the process of awarding two national blanket purchasing agreements (BPAs) to provide emergency response technical support and logistical services (food, housing, facilities etc.) OARM/OAM estimates that the BPAs will be in place by 9/30/06. The terms and conditions will be as flexible as possible to address the lessons learned by EPA responses to incidents of national significance, including Hurricanes Katrina and Rita.

3-1 – We recommend that the Assistant Administrator for OSWER, in conjunction with OARM, establish a policy and procedures for reviewing contractor invoices submitted during disasters that provide for additional contracting personnel in the regional offices so that more billings can be reviewed under each contract being used.

Response – In general, we concur. We believe the invoice review and approval process during the hurricane response was adequate (see comments above under General Comments on Report/Findings), especially considering the extraordinary nature of the incident, and especially with the major support contracts (ERRS and START). However, OARM and OSWER are currently reviewing applicable guidance documents containing requirements and recommendations for appropriate personnel to perform timely reviews of invoices at the deployment site. Furthermore, OSWER, OARM/OAM, and Regional Contracting Officers participated in an Incident Command System (ICS) symposium in August 2006 with a primary goal of addressing key response support issues including contract management, invoice approval, etc.

The ICS-established positions of Finance Section Chief, Procurement Unit Leader, and Cost Unit Leader functions (including invoice approvals) are being further developed and

clarified to ensure proper roles and responsibilities are clearly established and communicated. The roles and responsibilities of these (and the other ICS) positions, which will report to and work for OSWER, will be presented in the form of an Incident Management Handbook. A draft document will be available October 1, 2006. The final version will be completed December 31, 2006.

3-2 – We recommend that the Assistant Administrator for OSWER, in conjunction with OARM, ensure that contract clauses to limit charges for contractor-owned equipment flow down from the prime contract to the subcontracts.

Response – We concur. OARM/OAM will review all affected contracts by the end of CY 2006, in addition to future requirements, to ensure that such clauses are included.

3-3 – We further recommend that the Regional Administrator, Region 6, continue efforts to recoup the amounts overcharged by contractors for boat rental that exceeded the average purchase price.

Response – We concur. Region 6's contracting staff will continue to work with the contractor to ensure that reimbursements or credits are received by EPA for boat rental that exceeded the average purchase price. We will attempt to ensure that all related reimbursements or credits are received by the end of CY 2006.

4-1 (Bullet 1) – Recognizing that the Assistant Administrator for OSWER has begun a process to improve EPA's response efforts for future catastrophic events based on its Katrina experience, and that the Assistant Administrator for OARM has initiated a similar process for safeguarding equipment, we recommend that the Assistant Administrators for OSWER and OARM consider centralizing or reducing the number of locations for equipment receipt.

Response – We generally concur, but please see our notes below. EPA implements an incident command system (ICS) when conducting responses to incidents of national significance. ICS established clear roles and responsibilities for various response personnel/positions. The Logistics Section Chief is responsible for the overall coordination and processing of equipment needs, including working with the Procurement Unit Leader on procurement and with other groups including the Operations Section on equipment needs. Based on the timing and location of these identified needs, the Logistics Section Chief will help coordinate the scheduled delivery of equipment. Depending on the specific nature and scope of the incident, the process will typically include a central location for equipment delivery and recording/tracking.

There may, however, be situations that warrant delivery of equipment directly to non-centralized response sites. This will be up to the Logistics Section Chief. The roles and responsibilities of this and other ICS-established positions are in the process of being defined and clarified. The final version of the Incident Management Handbook that will address the roles and responsibilities will be completed by December 31, 2006.

4-1 (Bullet 2) – Recognizing that the Assistant Administrator for OSWER has begun a process to improve EPA’s response efforts for future catastrophic events based on its Katrina experience, and that the Assistant Administrator for OARM has initiated a similar process for safeguarding equipment, we recommend that the Assistant Administrators for OSWER and OARM consider providing a sufficient number of property specialists in the affected area early during the crisis.

Response – We concur. EPA has developed and provided initial training to Response Support Corps personnel, including property specialists, in Headquarters and the Regional offices. These are personnel willing and prepared to deploy to future incidents of national significance (INS). OSWER is working with EPA’s NICT and the Regional Response Support Corps coordinators to develop national guidance which will identify and refine the training and exercise requirements for the RSC, including all necessary specialist requirements. A National RSC Guidance document is anticipated by December 31, 2006.

4-1 (Bullet 3) – Recognizing that the Assistant Administrator for OSWER has begun a process to improve EPA’s response efforts for future catastrophic events based on its Katrina experience, and that the Assistant Administrator for OARM has initiated a similar process for safeguarding equipment, we recommend that the Assistant Administrators for OSWER and OARM consider ensuring that sensitive items included in the Agency’s list are clearly defined, updated periodically, and disseminated regularly.

Response – We concur. OARM has drafted and is currently revising a new policy document to clarify and communicate the appropriate process and related requirements for property management during responses to incidents of national significance. This document, which will include your recommendation, should be completed by December 31, 2006.

In addition to standard policy publication and dissemination processes, this effort will also be coordinated and communicated via the National Approach to Response (NAR) Administration and Finance Support Workgroup. Also, the property management process was one key item of discussion at the Incident Command System (ICS) symposium in August 2006. The position of Logistics Section Chief and related subordinate unit leaders are being further developed and clarified to ensure proper roles and responsibilities during responses to incidents of national significance, including clear guidelines for property management. The roles and responsibilities of these (and the other ICS) positions will be presented in the form of an Incident Management Handbook. A draft document will be available October 1, 2006. The final version will be completed December 31, 2006.

4-1 (Bullet 4) – Recognizing that the Assistant Administrator for OSWER has begun a process to improve EPA’s response efforts for future catastrophic events based on its Katrina experience, and that the Assistant Administrator for OARM has initiated a similar process for safeguarding equipment, we recommend that the Assistant Administrators for OSWER and OARM consider issuing purchase cards to responders for purchases during a specific disaster.

Response – We do not agree with this recommendation. EPA’s emergency responders already have purchase cards issued to them for use in any response. It would not only be unnecessary, but problematic, to wait for a disaster to occur before issuing new cards to responders. We understand that there is a need to segregate and track purchases made in response to a specific disaster situation. We believe this can be better accomplished through obtaining electronic log capability that could be used within the Incident Command Structure to capture and store information on such purchases. We plan on developing and implementing this capability in FY 2007.

4-1 (Bullet 5) – Recognizing that the Assistant Administrator for OSWER has begun a process to improve EPA’s response efforts for future catastrophic events based on its Katrina experience, and that the Assistant Administrator for OARM has initiated a similar process for safeguarding equipment, we recommend that the Assistant Administrators for OSWER and OARM consider establishing a national custodial area in FAS for future large-scale national disasters so all equipment purchases can be recorded more quickly and in a central location.

Response - We concur. OSWER and OARM property personnel are developing a national inventory tracking system to ensure consistent and accurate equipment tracking and management in future responses to incidents of national significance. This tracking system is scheduled to be deployed in January 2007. OARM has drafted, and is currently revising, a new policy document to clarify and communicate the appropriate process and related requirements for property management during responses to incidents of national significance, including the use of this tracking system.

In addition to standard policy publication and dissemination processes, this effort will also be coordinated and communicated via the National Approach to Response (NAR) Administration and Finance Support Workgroup. Also, the property management process was one key item of discussion at the Incident Command System (ICS) symposium in August 2006. The position of Logistics Section Chief and related subordinate unit leaders are being further developed and clarified to ensure proper roles and responsibilities during responses to incidents of national significance, including clear guidelines for property management. The roles and responsibilities of these (and the other ICS) positions will be presented in the form of an Incident Management Handbook. A draft document will be available October 1, 2006. The final version will be completed December 31, 2006

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Agency Followup Coordinator
General Counsel
Associate Administrator for Congressional and Intergovernmental Relations
Associate Administrator for Public Affairs
Audit Followup Coordinator, Office of Solid Waste and Emergency Response
Audit Followup Coordinator, Office of Administration and Resources Management
Acting Inspector General

EPA Region 4

Regional Administrator
Regional Audit Followup Coordinator

EPA Region 6

Regional Administrator
Regional Audit Followup Coordinator