



At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency (EPA) Office of Inspector General audits projects funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act). We selected the Gilt Edge Mine Superfund Site project in Lawrence County, South Dakota, for audit. The purpose of this audit was to determine compliance with selected Recovery Act requirements.

Background

EPA provided \$2,935,228 in Recovery Act funding for Pacific Western Technologies (PWT) to hire a subcontractor to perform the drilling and grouting portion of the diversion ditch repair at the site. The funding was provided through a work assignment under PWT's existing remedial action contract.

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

The full report is at:
www.epa.gov/oig/reports/2012/20120725-12-R-0601.pdf

American Recovery and Reinvestment Act Site Visit of the Diversion Ditch Repair Project at the Gilt Edge Mine Superfund Site, Lawrence County, South Dakota

What We Found

PWT did not have adequate controls to ensure that its subcontractors and vendors complied with the Buy American and Davis-Bacon Act (DBA) provisions of the Recovery Act. Non-American-made steel grouting pipes were used in the project. As a result, we questioned \$349,635 in costs incurred under the project, consisting of ineligible pipe costs of \$88,712 and unsupported field inspection costs of \$260,923. Also, PWT did not verify whether subcontract vendor employees who worked at the site were paid according to DBA requirements. These Recovery Act requirements were incorporated into both the prime contract and the subcontract, and apply to not only the contractor and subcontractor but to second-tier subcontractors and vendors.

The lack of control was due to PWT employees not being trained on contract terms and conditions, including Recovery Act requirements. PWT representatives also said that the company did not have policies and procedures to require inspection of all materials for Buy American compliance, and PWT employees did not understand that DBA requirements applied to vendor employees. PWT subsequently established material inspection procedures in response to the Buy American noncompliance. PWT also started the review process to verify subcontractor and vendor compliance with DBA requirements.

PWT accurately reported the number of jobs created and retained due to Recovery Act funding, and PWT's procurement of the subcontractor for the project was in accordance with the federal requirements and contract terms and conditions.

Recommendations and Planned Corrective Actions

We recommend that EPA's Director, Office of Acquisition Management, Office of Administration and Resources Management, advise the contracting officer to designate the grouting pipe cost of \$88,712 as ineligible costs and to reduce the funding for the project accordingly. We also recommend that the Director disallow and recover PWT field inspection costs.

PWT indicated it is working with the contracting officer to deobligate \$88,712 from the project. The contractor proposed, and EPA accepted, \$2,551 as the amount of ineligible field supervision costs relating to Buy American compliance monitoring. However, while this is all that can be collected based on EPA's actions, we do not believe the contracting officer's determination identified all ineligible field supervision costs.