



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

INTERAGENCY AGREEMENT FOR WATER QUALITY MONITORING AND OTHER SERVICES WITH THE U.S. GEOLOGICAL SURVEY




OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

APR 12 2016

Memorandum

To: Dion T. Steele
Contracting Officer
Bureau of Reclamation

From: Michael P. Colombo 
Western Regional Manager for Audits, Inspections, and Evaluations

Subject: Final Evaluation Report – Interagency Agreement for Water Quality Monitoring and Other Services with the U.S. Geological Survey, Agreement No. R13PG20058
Report No. WR-EV-BOR-0024-2013

This memorandum presents the results of our evaluation of interim costs claimed by the U.S. Geological Survey (USGS) under Interagency Agreement No. R13PG20058 with the Bureau of Reclamation (USBR). USGS reported costs totaling \$643,573 for fiscal year 2013. We identified unallowable costs of \$56,782 and unsupported costs of \$134,554, totaling \$191,336 in questioned costs. The “Results of Evaluation” section of this report provides details on the questioned costs. See Attachment 1 for our scope and methodology.

We issued our draft report on January 12, 2016. On February 19, 2016, and March 15, 2016, USBR responded to our draft report, stating that it will make a contracting officer’s decision regarding the unallowable and unsupported costs on or before April 15, 2016 (see Attachment 2).

Background

The Klamath project, located in Oregon and California, provides water for a variety of purposes. The main sources of water supply for the project are the Upper Klamath Lake, Klamath River, and surrounding reservoirs, which provide water to approximately 200,000 acres of cropland. The Upper Klamath Lake also provides water to endangered species and waterfowl refuges.

On January 22, 2013, USBR and USGS entered into an interagency agreement that included three proposals. The first proposal was for USGS to provide water quality monitoring in the Upper Klamath River and Lost River Basin. The second proposal was for USGS to enter and store data in the USGS National Water Information System Database. The third proposal was for USGS to record Klamath Lake elevation data. Total costs obligated for the contract in 2013 were \$773,064. The contract also includes options for four, 1-year extensions to continue the services provided, totaling \$2.9 million for all 5 years.

USGS uses various rates for reimbursable work under the interagency agreement. To offset leave and holiday costs, the Oregon Water Science Center charges a leave assessment rate

of 20 percent of its labor costs, which is based on Water Science Center employees' leave categories. In addition, the Oregon Water Science Center charges an indirect cost rate made up of two rates calculated at the field level (i.e., a common services rate and a facilities assessment rate) and one calculated at the bureau level (i.e., an administratively set 12 percent rate that has also not changed in years).

Objective

The objectives of our evaluation were to determine whether costs claimed under the interagency agreement were—

- allowable under applicable Federal laws and regulations;
- allocable to the interagency agreement and incurred in accordance with its terms and conditions; and
- reasonable and supported.

Results of Evaluation

We based our determination of questioned costs on our review and evaluation of USGS' costs. We identified costs as unallowable when we determined them to be unallocable or unreasonable under the terms of the contract or applicable laws, regulations, or policies. We identified unsupported costs as those without sufficient documentation.

Of the \$643,573 in recorded costs, we identified \$56,782 of unallowable costs and \$134,554 of unsupported costs, totaling \$191,336 in questioned costs. Summaries of recorded, unallowable, and unsupported costs are shown in Figure 1.

Unallowable and Unsupported Costs under Interagency Agreement No. R13PG20058				
Category Description	Claimed Costs	Unallowable Costs	Unsupported Costs	Notes
Salary/Benefits	\$170,115			
Leave Assessment	\$33,617	\$5,280		1
Travel	\$5,190			
Shipping	\$1,060			
Monitoring Costs	\$21,814		\$21,814	2
Lab Costs	\$22,605			
Vehicle Repair	\$282			
Supplies	\$11,385			
Fuel	\$3,160			
Equipment Purchases	\$112,740		\$112,740	3
Equipment Repair	\$873			
Rebates	(\$43,742)			
Klamath Lake Elevation Data	\$19,579	\$19,579		4
Overhead	\$284,895	\$31,923		5
Total	\$643,573	\$56,782	\$134,554	

Figure 1: Unallowable and unsupported costs. Notes 1 through 5 follow.

Note 1. Leave Assessment – Claimed Costs of \$33,617, Unallowable Costs of \$5,280

We classified \$5,280 as unallowable costs because the Oregon Water Science Center overcharged for its leave assessment. A 20 percent leave assessment rate was charged and not adjusted for actual leave taken during the year. Based on our calculations, the leave assessment rate for the Oregon Water Science Center should have been 17 percent.

Note 2. Monitoring Costs – Claimed Costs of \$ \$21,814, Unsupported Costs of \$21,814

We classified \$21,814 as unsupported costs because the Oregon Water Science Center could not provide supporting documentation for expenses incurred by the Medford Field

Office. When asked for supporting documentation, USGS staff could only provide emails showing the initial budget for the expenses.

Note 3. Equipment Purchases – Claimed Costs of \$112,740, Unsupported Costs of \$112,740

We classified \$112,740 as unsupported costs because USGS did not have written approval for equipment purchases. The interagency agreement requires USGS to have written approval for all equipment purchases.

Note 4. Klamath Lake Elevation Data – Claimed Costs of \$19,579, Unallowable Costs of \$19,579

We classified \$19,579 as unallowable costs because the Oregon Water Science Center did not bill for actual work performed. The USGS project manager explained that the Science Center usually bills quarterly. We found that USGS billed USBR for three quarters of the funds budgeted for fiscal year 2013, while less than half of the work on the agreement was actually completed. USGS officials told us they did not plan to bill for the final quarter until work on the agreement had been completed.

Note 5. Overhead – Claimed Costs of \$284,895, Unallowable Costs of \$31,923

We classified \$10,407 as unallowable because the Oregon Water Science Center improperly charged its facilities assessment overhead rate on work performed by other USGS offices when USGS policy requires that the office performing the work should charge the facilities assessment and common services rate. The Oregon Water Science Center removed its common services rate from its rate calculation, but did not do this for its facilities assessment rate.

In addition, we classified \$21,516 as unallowable costs because the Oregon Water Science Center did not include all direct costs when calculating its common services and facilities assessment rate. Currently, only direct labor is included in the rate calculation, despite the fact that all direct costs should be included. The common services rate and facilities rate charged were 54.77 percent and 9.70 percent respectively. Based on our calculations, the actual rates should have been 49.95 percent and 8.85 percent respectively.

Interagency Agreement Administration Issues

USBR did not provide adequate oversight of the agreement, resulting in USGS not providing supporting documentation for billed costs. The interagency agreement required that the technical representative and finance officer be provided supporting documentation for billed

costs, but USGS officials stated that USGS never sent supporting documentation because USBR did not request any.

In addition, the interagency agreement required the technical representative to monitor equipment purchases. The technical representative had not been approving equipment purchases, however, and did not know what equipment had been purchased. Upon initiation of our evaluation, the technical representative did request an equipment list from USGS to begin tracking equipment.

Recommendations

We recommend that USBR:

1. Resolve unallowable costs of \$56,782; and
2. Resolve unsupported costs of \$134,554.

In its response to our draft, USBR reported that the Contracting Officer would make a decision regarding the unallowable and unsupported costs on or before March 15, 2016, and would provide a written response on its decision. In a subsequent response on March 15, 2016, the Contracting Officer stated that additional time was needed and the new completion date is April 15, 2019. Based on USBR's responses, we consider the recommendations resolved and unimplemented (see Attachment 3). We will forward all recommendations to the Department of the Interior's Office of Policy, Management and Budget to track their implementation.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, evaluation, and inspection reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please do not hesitate to contact me at 916-978-5653.

Attachments (3)

Scope and Methodology

Scope

Our evaluation work included reviewing USGS reported costs for fiscal year 2013, totaling \$643,573. We performed our work at USBR and USGS offices located in Klamath Falls, OR; Portland, OR; Reston, VA; and our office in Sacramento, CA.

Methodology

To meet the objective we—

- interviewed USBR and USGS employees;
- reviewed laws, regulations, and policies pertaining to the agreement;
- reviewed and analyzed transactions related to the agreement; and
- reviewed supporting documentation for reported costs.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation. 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 evaluation objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

We relied on computer-generated data for direct and indirect costs to select a sample of transactions for testing and calculations of unallowable and unsupported costs. In addition, other than for direct cost samples, we relied on the accuracy of data entered into financial systems as we were only testing to determine appropriateness of the application of overhead rates. For direct costs samples we took a sample of costs and verified them against source documents.

We performed our evaluation without the benefit of a technical evaluation. Accordingly, our conclusions are qualified to the extent that a technical evaluation may affect the allowability and reasonableness of the reported costs.

Bureau's Response to Draft Report

The Bureau of Reclamation's responses to our draft report follow on page 2 of Attachment 2.



IN REPLY REFER TO:

MP-3805
ACM-4.10


United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, California 95825-1898



February 19, 2016

To: U.S. Department of the Interior
Office of Inspector General
2800 Cottage Way, Suite E-2712
Sacramento, California 95825-1898

From: Dion T. Steele 
Contracting Officer

Subject: Draft Evaluation Report-Interagency Agreement for Water Quality Monitoring
and Other Services with the U.S. Geological Survey, Agreement No. R13PG20058
Report No. WR-EV-BOR-0024-2013

This memorandum is in response to your draft report dated January 12, 2016. Your draft report outlined two concerns as a result of your audit, which requests: resolution of ineligible costs of \$56,782.00 and resolution of unsupported cost of \$134,554.00.

On February 11, 2016, the contracting officer met with the servicing agency's Assistant Regional Director and Administrative Officer to review each of the elements of concern written in your draft report.

On February 18, 2016, the servicing agency provided a written response to the subject report. The contracting officer will review the responses with the Interagency Agreements Technical Representative (IATR) and make a contracting officer's decision regarding the responses on or before March 15, 2016 and will provide a response to your office in writing.

Should you have any questions or need further information, please contact me at (916) 978-4315 or dsteale@usbr.gov



IN REPLY REFER TO:

MP-3805
ACM-4.10


United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, California 95825-1898



March 15, 2016

To: U.S. Department of the Interior
Office of Inspector General
2800 Cottage Way, Suite E-2712
Sacramento, California 95825-1898

From: Dion T. Steele 
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As stated in my February 19, 2016 letter, I indicated that I would provide you with a contracting officer's decision on the disposition of the report on March 15, 2016. At this time, the Bureau of Reclamation (Reclamation) needs additional time to discuss the issues with the servicing agency and work through process issues.

Reclamation is currently working through some issues with process and roles and responsibilities. In addition, the parties need additional time to work through some disagreements. Our new estimated completion date is April 15, 2016.

Should you have any questions or need further information, please contact me at (916) 978-4315 or dsteale@usbr.gov

Status of Recommendations

Recommendation	Status	Action Required
1 – 2	Open – resolved but not implemented	We will refer these recommendations to the Office of Policy, Management and Budget to track their implementation.

Report Fraud, Waste, and Mismanagement



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By Mail: U.S. Department of the Interior
Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW.
Washington, DC 20240