



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

AUG 03 2016

Memorandum

To: Dan Ashe
Director, U.S. Fish and Wildlife Service

From: Kimberly Elmore *Kimberly Elmore*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Management Advisory – Issues Identified During our Audit of Interim Costs Claimed by Donjon Marine Company, Inc., Under Contract No. INF14PD01909 and our Audit of Interim Costs Claimed by Clean Venture Inc., Under Contract No. INF14D01910 with the Fish and Wildlife Service Report No. 2015-ER-022-A

The Office of Inspector General (OIG) has completed audits of the interim costs claimed by Donjon Marine Company, Inc. (Donjon Marine), under Contract No. INF14PD01909 and Clean Venture Inc. (CVI), under Contract No. INF14D01910. These contracts were awarded by the U.S. Fish and Wildlife Service's (FWS) Hurricane Sandy funds to remove and dispose of debris at Edwin B. Forsythe National Wildlife Refuge in Oceanville, NJ. We identified \$202,916 in questioned costs on Contract No. INF14PD01909, and \$115,478 on Contract No. INF14D01910. As of April 8, 2016, FWS contracting staff resolved \$189,172 of the costs questioned on Contract No. INF14D01909 and \$114,438 of the costs questioned on Contract No. INF14D01910.

While conducting our interim incurred cost audits, we identified deficiencies with contract oversight and administration by the FWS contracting staff (CS) who provided oversight of these contracts. The CS allowed costs already incorporated into modify the Basic Ordering Agreement (BOA) with both contractors that undermined the terms and protections of the U.S. Government's interests. This resulted in FWS paying duplicative and excessive costs totaling \$130,754. We believe that these funds were wasted and that FWS will not be able to recover the funds from the contractors.

We also found that CS did not effectively review the contractor's invoices and supporting documentation, which resulted in the approval and payment of costs that were not allowed.

Allowance of Costs Factored Into the Basic Ordering Agreement

By mutual agreement, FWS incorporated the U.S. Coast Guard's BOA HSCG84-14-A-B00007 into Contract Nos. INF14PD01909 and INF14D01910. The BOA establishes daily and hourly operating rates for labor, equipment, and travel, as well as other direct costs. In addition,

the BOA establishes terms for project reporting, safety, subcontracting, required insurance, permitting, and other contract terms.

Costs Claimed for Administrative Personnel

The CS allowed Donjon Marine to claim amounts for administrative personnel on Contract No. INF14D01910 that were not allowed by the BOA. The BOA required that costs for administrative staff be considered part of the overhead and general and administrative costs, which are factored into the contractor's operating rates. The CS also allowed Donjon Marine to claim costs for administrative personnel on the contract, resulting in \$113,148 in duplicate charges that were already factored into daily operating rates.

Fuel Charges

In addition, the CS allowed Donjon Marine and CVI to charge a flat rate for fuel instead of using actual costs plus a mutually agreed-upon administrative fee. The BOA required the contractor to provide receipts to substantiate fuel charges. The CS allowed CVI to charge a flat rate for diesel (\$3.49 per gallon) and gasoline (\$3.08 per gallon) on Contract No. INF14D01910. During the period covered by our incurred cost audit (October 6, 2014 to February 13, 2015), gasoline prices in the central Atlantic region of the United States decreased nearly 32 percent, and diesel prices decreased nearly 21 percent.

The CS allowed Donjon Marine to charge a flat rate of \$4.80 per gallon for fuel on Contract No. INF14PD01909. Donjon Marine provided receipts that included actual costs for fuel, and we calculated that using the flat rate resulted in fuel costs of \$17,606 more than Donjon Marine's actual costs—a markup of over 40 percent.

Inadequate Review of Invoices and Supporting Documentation

The CS failed to validate supporting documentation for contractor operating costs and allowed the contractor to claim costs that were unsupported or that were for items now allowed by the contract. These errors and omissions would have been identified had the CS reviewed the contractor's invoices and supporting documentation. The errors and omissions include:

- CVI submitted fuel charges to FWS without any supporting documentation. The FWS CS paid the invoices without verifying whether the amounts claimed were supported.
- Donjon Marine submitted labor charges to FWS with no supporting documentation. The company included labor charges for personnel who did not sign the sign-in sheet and were still paid by FWS. For example, instead of the person's signature, someone wrote the words "OUT" or "Jamaica."
- Donjon Marine claimed costs related to office supplies that were not allowed by the terms of Contract No. INF14PD01909. The company submitted costs related to the purchase of office equipment and supplies that were unallowable such as a WIFI router, numerous printer supplies and cartridges, a television, and a computer.

In each of these deficiencies, CS did not effectively review supporting documents to ensure the costs claimed were supported and allowed costs.

Conclusion and Recommendations

We identified deficiencies with CS oversight and administration. The CS allowed modifications to the BOA that were not in the Government's interest and did not always review contractor invoices to ensure costs claimed were allowable and adequately supported.

We recommend that FWS:

1. Review and update FWS contracting procedures, to include developing and implementing an approval process for modifying contract terms as well modifying terms established by Basic Ordering Agreements.
2. Review and update FWS invoice review procedures, to include improvements to the review and approval of contractor invoices.
3. Ensure all contractually required documentation accompanies submitted invoices. This could include a reviewer or a verification checklist to accompany the FWS invoice package when the contractor submits an invoice for payment approval, or for task order closeout.

Response to Report

Please provide us with your written response to this report within 30 days. The response should provide information on actions taken or planned to address the recommendations, as well as target dates and title(s) of the official(s) responsible for implementation. Please send your response to aie_reports@doioig.gov.

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

cc: Kristin Young, Procurement Chief, U.S. Fish and Wildlife Service