



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

**INTERIM COSTS CLAIMED BY CLEAN
VENTURE INCORPORATED UNDER
CONTRACT No. INF14D01910 WITH
THE U.S. FISH AND WILDLIFE SERVICE**



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

JUL 01 2016

Memorandum

To: Vincent Chua
Contracting Officer, U.S. Fish and Wildlife Service

From: Chris Stubbs *Chris Stubbs*
Director, Office of Financial and Contract Audits

Subject: Final Audit Report – Interim Costs Claimed by Clean Venture Incorporated,
Under Contract No. INF14D01910 with the U.S. Fish and Wildlife Service
Report No. 2015-ER-023

This report presents the results of our audit of interim costs claimed by Clean Venture Incorporated (CVI) under Contract No. INF14D01910. This contract was 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.

Our audit initially identified \$115,478 in unsupported costs. FWS, however, provided additional information in response to our draft report and resolved all but \$1,040 in unsupported costs. We make one recommendation to FWS to resolve these costs. In accordance with the Federal Acquisition Regulation (FAR), specifically 48 C.F.R. § 31.201-2(d), "Determining Allowability," these unsupported costs are all unallowable.

Background

FWS awarded the contract to CVI on September 11, 2014, to remove and dispose of Hurricane Sandy-related debris from the Edwin B. Forsythe National Wildlife Refuge. The refuge, which extends along 50 miles of coastline in southern New Jersey, provides a protected habitat for migratory birds and contains ecologically sensitive areas. FWS Contract No. INF14D01910 provided for personnel, equipment, supplies, facilities, and transportation to remove, recycle, and properly dispose of debris at appropriate waste collection facilities in an environmentally sensitive and lawful manner. The contract's total value was \$3,929,968 and its period of performance was from October 6, 2014, to June 5, 2015.

Objective

The objective of our audit was to determine whether the interim costs claimed by CVI, totaling \$1,970,284, were allowable under applicable Federal laws and regulations, allocable to the contract and incurred in accordance with its terms and conditions, and reasonable and supported by CVI's records. The attachment provides our audit scope and methodology.

Results of Audit

We initially questioned \$115,478 in unsupported costs that CVI billed FWS on Contract No. INF14D01910¹ for labor hours, equipment rental, materials and miscellaneous supplies, disposal fees, and lodging without providing sufficient supporting documentation. After reviewing our draft audit report, FWS was able to provide additional support and resolved \$114,438 of the questioned costs (see Attachment 2). Figure 1 illustrates the amounts claimed, questioned, and considered resolved. In accordance with the FAR, these unsupported costs are all unallowable.²

Type of Direct Cost	Amount Claimed	Initially Questioned	Resolved	Remaining Questioned
Labor	\$1,060,554	\$98,206	\$98,206	
Equipment	676,799	875	875	
Materials & misc. supplies	77,713	9,139	8,099	1,040
Disposal fees	51,937	-	-	
Lodging	103,281	7,258	7,258	
Total	\$1,970,284	\$115,478	\$114,438	\$1,040

Figure 1. Claimed and questioned costs for Contract No. INF14D01910.

Labor Hours

We questioned \$98,206 in costs CVI claimed for labor because it lacked supporting documentation. CVI used employee timesheets to substantiate labor costs claimed; however, employees did not consistently sign in and out on daily timesheets.

FWS Response

In response to our draft report, FWS referenced FAR 52.232-7(a)(5), which lists acceptable documentation to substantiate labor claims and provided CVI's 2014 and 2015 payroll records to the audit team. We assessed the payroll data and determined that the records sufficiently substantiated the labor amounts claimed by CVI. We consider this issue resolved.

Equipment Rental

CVI charged the U.S. Government for equipment at incorrect amounts or for an inconsistent number of units. For example, CVI charged FWS \$200 for a generator that was listed at \$150 in the Basic Ordering Agreement. In addition, CVI charged FWS for two storage and office trailers although previous and subsequent billings for work in the same cleanup area

¹ We based our determination of the questioned costs on our review and evaluation of the contractor's costs. We reviewed the contract details, supporting documentation, and the FAR to determine our questioned costs. We identified costs as unsupported when sufficient documentation related to the costs was not available for review.

² 48 C.F.R. § 31.201-2(d), "Determining Allowability."

indicated that only one trailer was used. As a result, we questioned \$875 of equipment costs claimed by CVI.

FWS Response

FWS explained that CVI changed to a generator with larger energy capacity due to the needs of the cleanup operation. FWS also confirmed that there were two trailers at the worksite, with the exception of a short period of time when one was removed for repair. The contracting officer indicated there were always two trailers at the worksite, but that many times the contractor only charged for one of the trailers. We believe that the additional information provided in the FWS response explains the change in prices for the generator as well as the number of office trailers claimed by the contractor. We consider this issue resolved.

Materials and Miscellaneous Supplies

CVI claimed \$9,139 for fuel without providing adequate support. Instead of providing receipts, the contractor used fuel prices from a single day in October 2014 (\$3.08 for gasoline and \$3.49 for diesel) and then multiplied the amount of fuel used by these dollar amounts. During the period we reviewed, gasoline prices in the central Atlantic region of the United States decreased nearly 32 percent and diesel decreased nearly 21 percent. As a result, we question the entire \$9,139 CVI claimed for fuel. Figure 2 illustrates the decrease in average retail gasoline prices during the cleanup efforts at the Edward B. Forsythe Wildlife Refuge.

FWS Response

FWS provided fuel receipts submitted by CVI and stated the contractor's receipts supported all fuel costs except \$1,040, which would be pursued by the contracting officer. We consider this issue unresolved until the \$1,040 is received from CVI and FWS recalculates the contractor's receipt with actual amounts of fuel used. We assessed the fuel receipts provided and determined that the contractor's receipts substantiated 407 fewer gallons of fuel than previously claimed. Our total was also 407 gallons fewer than the FWS tabulation of the contractor's receipts. We request that FWS recalculate the contractor's receipt with actual amounts of fuel used.

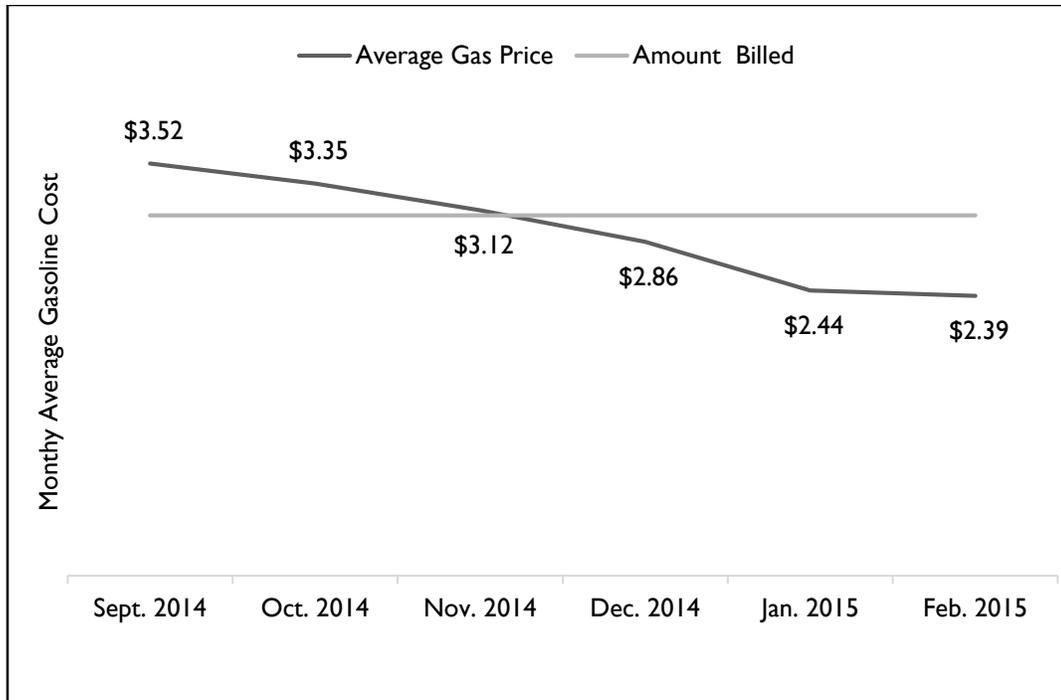


Figure 3. Average retail gasoline prices in the central Atlantic region from September 2014 through February 2015.

Lodging and Meals

CVI claimed \$7,258 for lodging during periods in which its employees were not authorized to travel. Costs are allowable only if the contractor documents the date, place, purpose of the trip, and name and title of the person taking the trip. As a result, we question \$7,258 of lodging costs claimed. For example, CVI claimed \$580.65 for hotel rooms on November 30, 2014; however it had not authorized travel for that date.

FWS Response

FWS provided a copy of his authorization of lodging costs as well as an assessment detailing how the costs were in the best interest of the Government. We assessed the FWS response and determined that the lodging is authorized by the contract. We consider this resolved; however, we emphasize that the requirements of FAR 31.205-46(a)(7) should be followed, which require the contractor to document and authorize employee travel, even in circumstances where lodging is authorized by the contract.

Conclusion and Recommendation

In our draft report, we recommended that FWS resolve the total unsupported costs of \$115,478. FWS responded to all four cost categories in the report that discussed questioned costs—labor, equipment, materials, and lodging. FWS resolved \$114,438 of the costs we questioned and we recommend FWS contracting staff resolve the remaining \$1,040 and the remaining deficiency related to the amount of fuel used by the contractor. We will be referring our recommendation to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.

If you have any questions regarding this report, please call me at 202-208-5755.

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.

Attachments (2)

Scope and Methodology

Our audit of interim costs focused on the \$1,970,284 in costs claimed by Clean Venture Inc. (CVI) on Contract No. INF14D01910 between October 6, 2014, and February 13, 2015. Our audit included a review of compliance with applicable Federal regulations, U.S. Fish and Wildlife Service (FWS) policies and procedures, and contract terms and conditions. We conducted our audit fieldwork from December 2014 through October 2015.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we—

- interviewed the FWS contracting officer, CVI personnel, and other appropriate individuals;
- reviewed the Federal Acquisition Regulation for regulations pertaining to claimed costs;
- reviewed the support for CVI's claimed costs (direct costs, third-party invoices, general and administrative expenses) and profit;
- reviewed and analyzed CVI's accounting records (computer-generated data) pertaining to claimed costs for reasonableness;
- reviewed CVI's explanation of its information controls over computer-generated data relevant to the audit;
- reviewed CVI's internal controls; and
- conducted site visits in New Jersey.

We relied on computer-generated data for direct costs and labor costs to the extent that we used these data to select costs for testing. Based on our test results, we either accepted the data or performed additional testing. We reviewed invoices, timesheets, and other supporting documentation to verify the accuracy and reasonableness of amounts claimed by CVI. For the labor costs, we reviewed hours and rates against timesheets and other supporting documentation.

Response to Draft Report

The U.S. Fish and Wildlife's response follows on page 2 of Attachment 2.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive

Hadley, MA 01035



February 12, 2016

Memorandum

To: Christopher Stubbs
 Eastern Region Manager for Audits, Inspections, and Evaluations
 Office of the Inspector General, US Department of the Interior

From: Vincent Chua, Contracting Officer, U.S. Fish and Wildlife Service

Subject: Draft Audit Report-Interim Costs Claimed by Clean Venture Incorporated, Under Contract No's F14PD01910 with the U.S. Fish and Wildlife Service
 Report Number 2015-ER-023

This letter response to subject report regarding the interim costs claimed by Clean Venture Incorporated (CVI) while working on the debris removal contract at EB Forsythe NWR in New Jersey. The Contracting Officer has the following comments for each finding:

CVI Labor Hours-\$ 1,060,554.00

We question \$98,206.00 in costs CVI claimed for labor because they lacked supporting documentation. CVI used employee timesheets to substantiate labor costs claimed; however, employees did not consistently sign in and out on daily timesheets.

FAR 52.232-7 (a)(5) (i)(ii)(iii) provides the Contracting officer several alternatives to substantiate the contractor's claim for labor . Sign in sheets (form ICS 211) were used to validate onsite workers to the maximum extent practicable. These sheets are a widely accepted form used by the United States Coast Guard (USCG) for contracts issued under their Basic Ordering Agreements (BOA's) and for actions conducted under the National Incident Command Systems (NICS). Although these records were not attached to the invoice package, they are in our possession, have been reviewed, and validated by the Service COR who was on site daily during the performance period. As a back up to those sheets, the Contracting Officer's Representative (COR) used a daily log to verify and track personnel at the job site. These logs can be provided upon request and identify the names of the employees on site and list the number of hours they worked. In addition, CVI's company payroll summaries are attached. All staff, who were billed to this contract, along with the number of hours worked are outlined in the summary. We consider all of the above documents to be valid forms of support for labor costs claimed by CVI between October 2014 and February 2015 and therefore consider all costs to be allowable.

Equipment Rental - \$676,799.00

CVI charged the U.S. Government for equipment at incorrect amounts or for an inconsistent number of units. For example, CVI charged FWS \$200 for a generator that was listed at \$150 in the Basic Ordering Agreement (BOA). In addition, CVI charged FWS for two storage and office trailers although previous and subsequent billings for work in the same cleanup area indicated that only one trailer was used. As a result, we question \$875 of equipment costs claimed by CVI

All equipment being used for the project was accounted for, verified, and validated by the COR. The COR kept a daily log that identified the type of equipment being used at the work site. All equipment rates were based on the BOA scheduled rates or new rates that were negotiated before award. Regarding the generator, CVI was compelled to swap out the original sized generator listed at \$150.00 for a larger one, producing 25kw (see enclosed agreement) output because of the needs of the cleanup operation. The contractor incorrectly referenced the wrong CLIN on their invoice. The correct CLIN for the 25KW generator under the CVI BOA was CLIN 0006BA1 with the daily rate of \$200. Therefore, the generator daily rate claimed by CVI between October 2014 and February 2015 is correct and allowable.

With regards to the trailers, there were always two office trailers on-site; one was used as a warming station, the other as the command office. Generally, the FWS should have been billed for two office trailers per day; however, for a short period of time, one trailer was removed from the site for repair/replacement.

All questioned costs have been validated and a copy of the rental agreement, supporting the generator size has been provided. All equipment cost claimed by CVI between October 2014 and February 2015 are considered acceptable and allowable.

Materials and Miscellaneous Supplies - \$77,713.00

CVI claimed \$9,139 for fuel without providing adequate support. Instead of providing receipts, the contractor used fuel prices from a single day in October 2014 (\$3.08 for gasoline and \$3.49 for diesel) and then multiplied the amount of fuel used by these dollar amounts. During the period we reviewed, gasoline prices in the central Atlantic region of the United States decreased nearly 32 percent and diesel decreased nearly 21 percent. As a result, we question the entire \$9,139 CVI claimed for fuel. Figure 2 illustrates the decrease in average retail gasoline prices during the cleanup efforts at the Edward B. Forsythe Wildlife Refuge.

CVI claimed \$8,776.74 for fuel cost from Oct. 10, 2014 to Feb. 27, 2015. Fuel receipts from CVI have been reviewed. The total quantities of the fuel used in this effort were consistent with the billed amount; however, there appears to be a discrepancy in the total amount billed by \$1,039.93. Receipts, totaling \$7,736.81 (which includes an allowable 9.5% administrative fee) are attached. The FWS will pursue the unsupported amount of \$1,039.93 with CVI.

Lodging and Meals - \$103,281

CVI claimed \$7,258 for lodging during periods in which its employees were not authorized to travel. Costs are allowable only if the contractor documents the date, place, purpose of the trip, and name and title of the person taking the trip. As a result, we question \$7,258 of lodging costs claimed. For example, CVI claimed \$580.65 for hotel rooms on November 30, 2014; however, it had not authorized travel for that date.

Under the USCG BOA, (HSCG84-14-A-P00014 section B.2.3 and B.2.4) CVI was allowed to claim lodging and travel expenses if the commuting distance was greater than 50 miles. CVI requested lodging for 16 individuals during their negotiations,, whose home of record was in North Carolina. These individuals would be requiring 8 rooms at 2 individuals per room. The Contracting Officer conducted a cost comparison/cost benefit analysis to determine whether it is was more cost efficient for the FWS to reimburse the contractor for employee lodging or to reimburse them for daily travel costs. The analysis concluded that it was more advantageous for the FWS to pay the lodging expenses (see enclosed). In the example provided by the OIG for November 30, 2014, the OIG identified that travel was not authorized for November 30, 2014. That date was the Sunday after Thanksgiving holiday (an approved federal holiday). The labor force was returning from North Carolina that day to resume operations on December 1, 2014. I respectfully submit that the travel on that date is justifiable under the circumstances as the FWS required the employees to return to the job site for the following business day. Therefore, all lodging charges are acceptable and allowable.

In summary, we respectfully disagree with the OIG findings for unallowable costs in all categories except for the fuel charges in the amount of \$1,039.93. Support documents for labor, the generator, and the cost benefit analysis for lodging are attached and support the other \$114,438.07 in questionable costs.

Over the next 30 days, the FWS will take the following actions:

- 1) Will request additional support documents for the questioned fuel amount from CVI.
- 2) Will seek a refund from CVI for the questioned amount, if support documents cannot be provided.

If there are any further questions or comments regarding the content of this letter or the attached support documents, please contact Vincent Chua, Contracting Officer at (404)679-4059.

VINCENT
CHUA

Vincent Chua
Contracting Officer

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