



U.S. Department of the Interior
Office of Inspector General

SURVEY REPORT

**GENERAL ADMINISTRATIVE
EXPENSES APPROPRIATION,
TECHNICAL SERVICE CENTER,
BUREAU OF RECLAMATION**

**REPORT NO. 99-I-958
SEPTEMBER 1999**



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

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SURVEY REPORT

Memorandum

To: Assistant Secretary for Water and Science

From: Robert J. Williams *Robert J. Williams*
Assistant Inspector General for Audits

Subject: Survey Report on the General Administrative Expenses Appropriation, Technical Service Center, Bureau of Reclamation

INTRODUCTION

This report presents the results of our survey of General Administrative Expenses (GAE) appropriation funds used by the Bureau of Reclamation's Technical Service Center. The objective of the review was to determine whether the Center's costs charged to the GAE appropriation¹ were in compliance with the Fact Finders' Act, as amended, and the Center's policies and procedures.

BACKGROUND

In October 1994, the Bureau established the Technical Service Center. The mission of the Center is to provide technical services for managing, developing, and protecting water and related resources. Center services include providing engineering, scientific, and technical support to Bureau field offices, other Federal agencies, foreign governments, and non-Federal clients on a cost-reimbursable basis. The Center funds its operating costs and expenses through reimbursable agreements, direct appropriations, and charges to the GAE appropriation.

The GAE appropriation funds the cost and expense of the general administration and related functions of the Bureau's Office of the Commissioner, the Technical Service Center, and five regional offices. As provided for in the appropriation to GAE, funding is derived from the reclamation fund with the stipulation that the cost and expense of general administration are to be nonreimbursable pursuant to the Fact Finders' Act. The Fact Finders' Act provides that these general administration costs and expenses will not be charged as part of the

¹In fiscal year 1998, the title of the appropriation was changed from General Administrative Expenses to Policy and Administration.

reimbursable construction or operation and maintenance costs. For fiscal year 1997, the Bureau's appropriation for general administrative expenses totaled \$46 million, of which about \$4 million was allocated to the Technical Service Center as follows:

	Budget <u>Allocation</u>
Director's Office	\$364,000
Interagency Activities	649,900
Technical and Professional Societies	863,000
Technical Inquiries	350,000
Laboratory Tours/Laboratory Renovation	75,200
Value Engineering	315,000
Special Initiatives	45,000
Manuals, Standards, and Publications	<u>1,303,200</u>
Total	<u>\$3,965,300</u>

SCOPE OF SURVEY

We performed our survey at the Technical Service Center, Lakewood, Colorado. The scope of our survey included the Center's costs charged to the GAE appropriation for fiscal year 1997. To accomplish the survey objective, we reviewed judgmentally selected payroll records and supporting documentation, interviewed employees who charged their time to GAE appropriation fund accounts, and discussed our findings with the employees' supervisors to determine whether the expenses charged to GAE appropriation fund accounts were reasonable and proper. We also reviewed and analyzed copies of the Center's policies and guidelines, travel authorizations, travel vouchers, time and billable expense reports, reimbursable service agreements, and agendas from professional conferences.

Our review was made in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. We also reviewed the Departmental Report on Accountability for fiscal year 1997, which includes information required by the Federal Managers' Financial Integrity Act of 1982, and the Bureau's annual assurance statement on management controls for fiscal year 1997 to determine whether any reported weaknesses were within the objective and scope of our review. Neither the Accountability Report nor the Bureau's assurance statement reported control weaknesses related to the objective and scope of our review.

PRIOR AUDIT COVERAGE

During the past 5 years, neither the General Accounting Office nor the Office of Inspector General has issued any reports that addressed the Technical Service Center's use of GAE appropriation funds.

RESULTS OF SURVEY

The Technical Service Center inappropriately charged costs to the GAE appropriation. The appropriation to GAE provides funding for the costs and expenses incurred for the Bureau of Reclamation's general administration that are nonreimbursable pursuant to the Fact Finders' Act. However, costs charged to the GAE appropriation were not adequately monitored because, according to Center officials, of an ambiguous definition for allowable charges and unclear instructions on what expenses could be charged to the general administration expense accounts. As a result, for the \$400,735 reviewed, we found that GAE appropriation funds totaling \$17,334 should have been charged to project beneficiaries, funds totaling \$12,455 should have been charged to the Center's overhead accounts, and funds totaling \$26,190 were not adequately documented as allowable costs (the monetary impact of these amounts is in the Appendix).

Project Beneficiaries

The Bureau should have charged costs totaling \$17,334 to project beneficiaries as follows:

- The Center's Land Suitability and Water Quality group exceeded the total project budget under a service agreement with the Bureau's Great Plains Region by \$19,257. Of this amount, \$12,270 for technical/professional society work order costs was charged to the GAE appropriation. According to a Center group manager, these costs were transferred from project costs to the GAE appropriation because the project costs also met the GAE definition of technical and professional society work. However, we concluded, and the Bureau agreed, that these charges were reimbursable project costs and should not have been charged to the GAE appropriation because the work performed by the Center benefited the project.

- An employee's labor and travel costs totaling \$5,064 were charged to the technical and professional societies account under the GAE appropriation, even though the employee was performing work on a specific project. For example, the employee traveled to Oregon and Washington for the purpose of evaluating several different types of fish screen cleaners that could be used on a Glen Colusa Irrigation District project. We also noted that labor and travel costs of another employee who went on the same trip were charged directly to the project. During our review, the Center group manager agreed that the costs should have been charged to the project.

Overhead Account

The Bureau should have charged costs totaling \$12,455 to the Center's overhead account as follows:

- Labor costs of \$7,059 for four employees attending a training class/conference were inappropriately charged to the GAE appropriation. Center policies allow the GAE appropriation to be charged for the purpose of presenting papers or for performing preparatory work for conferences but not for obtaining training. We noted that travel costs

totaling \$1,352 for these employees to attend the training were properly charged to the Center's overhead account. Therefore, we concluded, and Bureau officials agreed, that the labor costs should have been charged to the Center's overhead account.

- Labor costs of \$5,396 for an employee to create and update an Internet Web page for the Center were charged to the GAE appropriation. Because the intent of this activity was to promote the Center and its services, we believe that this activity was part of the Center's cost of conducting business. The Fact Finders' Act and the Center's policies allow the GAE appropriation to be charged for expenses related to general administration functions but not for the cost of conducting business. Therefore, we concluded, and Bureau officials agreed, that the costs were not allowable general administrative expenses and therefore should have been charged to the Center's overhead account.

Labor Costs

Center labor costs of \$26,190 charged to the GAE appropriation were not adequately supported on time sheets or on other documents such as calendars, journals, or time logs, and Center employees could not identify the type of work performed. In addition, Center group managers did not require their employees to document the time spent on general administrative expenses activities.

Center group managers said that they were aware of the Center's policies and the requirements of the Fact Finders' Act and that they knew that funds from the GAE appropriation were not to be used for reimbursable project costs. During the review, Center managers and employees said that the definitions of allowable general administrative expenses and similar Center overhead costs were ambiguous, which we believe contributed to the incorrect charges. For example, Center policies and definitions for indirect costs allow charges to the Center's overhead account for activities related to technical/professional societies. Similarly, the definition for indirect costs chargeable to the GAE appropriation allows activities related to technical/professional societies to be charged to the GAE appropriation if available. We believe that the similarities in both definitions created the potential for confusion as to which account should be charged.

As a result of our survey, the Bureau clarified the Center's definitions and instructions for charging allowable costs to the GAE appropriation and the overhead accounts. In addition, the Center's Senior Management Team met with the Center's group managers and emphasized the need for improved monitoring by the group managers of the costs charged to the GAE appropriation to ensure compliance with Center policies and the Fact Finders' Act. Therefore, we are not making any recommendations.

Since this report does not contain any recommendations, a response is not required.

Section 5(a) of the Inspector General Act (Public Law 95-452, as amended) requires the Office of Inspector General to list this report in its semiannual report to the Congress.

We appreciate the assistance of Bureau staff in the conduct of this survey.

CLASSIFICATION OF MONETARY AMOUNTS

<u>Finding Area</u>	<u>Funds To Be Put To Better Use</u>
Funds Charged Incorrectly	\$29,789
Funds Documented Inadequately	<u>\$26,190</u>
	<u>\$55,979</u>

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