



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

SUMMARY OF HURRICANE SANDY AUDIT AND INSPECTION REPORTS AND MANAGEMENT ADVISORIES

This is a revised version of the report prepared for public release.



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

Memorandum

APR 23 2018

To: Scott J. Cameron
Principal Deputy Assistant Secretary for Policy, Management and Budget
Exercising the Authority of the Assistant Secretary for Policy, Management and Budget

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

Subject: Final Inspection Report – Summary of Hurricane Sandy Audit and Inspection Reports and Management Advisories
Report No. 2017-FIN-057

This memorandum transmits the results of our inspection summarizing the common themes and problems in award acquisition and management across 19 Hurricane Sandy-related products we issued over 4 years, ending July 31, 2017. In addition, we determined that the U.S. Department of the Interior (DOI) did not have its own comprehensive emergency acquisition policy and guidance, during or since Hurricane Sandy recovery efforts.

We are providing this summary to help the DOI improve pre-award practices, post-award oversight, and departmental oversight for awards related to disaster relief. No response is necessary and we are issuing the report as final.

If you have any questions concerning this report, please do not hesitate to contact me at 202-208-5745.

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.

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Results in Brief

The aftermath of Hurricane Sandy—the deadliest and most destructive hurricane of the 2012 Atlantic hurricane season, and the second costliest in U.S. history—created an emergency cleanup situation that the U.S. Department of the Interior (DOI) had never seen before. Congress distributed \$787 million to the DOI, and of that amount the Office of Inspector General received \$2 million to conduct audits, inspections, and investigations of various DOI contracts and grants related to Hurricane Sandy cleanup efforts.

For this inspection report, we reviewed the results of 19 products that we issued to the National Park Service (NPS), U.S. Fish and Wildlife Service (FWS), and Bureau of Ocean Energy Management related to awards made by the bureaus for Hurricane Sandy recovery. These products—9 contract audits, 3 grant audits, 1 inspection, and 6 management advisories—were issued over 4 years, ending July 31, 2017. Across the 12 audit reports (9 contracts and 3 grants) we audited \$70.9 million in claimed costs and identified \$14 million in questioned costs (19.75 percent of the total).

Our objective was to issue a report to the DOI summarizing the common themes and problems in award acquisition and management across all 19 reports. Overall we found deficient pre-award practices and deficient post-award oversight at NPS and FWS contracting offices, as well as weaknesses in departmental oversight.

The deficient pre-award practices that we identified are:

- Inadequate background research and risk assessment
- Inadequate competition and deficient contractor selection
- Deficient contractor or grantee accounting system

Deficient post-award oversight by the bureaus resulted in problems related to:

- Real property/equipment purchase and rental
- Records for time, labor, and travel
- Required reports

We also determined that the DOI did not have its own comprehensive emergency acquisition policy and guidance, during or since Hurricane Sandy recovery efforts. Further, the DOI did not use emergency acquisition guidance available from the Office of Management and Budget or disseminate it to the bureaus (as directed in the guidance). As a result, when disaster struck, the bureaus had no

standing emergency acquisition response teams, no specific disaster response training, and no standardized forms or processes for awarding or maintaining contracts and grants to support emergency response.

In addition to summarizing common findings, this report presents a list of actions planned by the NPS and the FWS to improve their award processes and agreement oversight. Further, we make suggestions to help the DOI improve pre-award practices, post-award oversight, and departmental oversight for awards related to disaster relief. Such improvements are needed to avoid contracting inefficiencies during future emergency response that could needlessly subject Federal funds to fraud, waste, and abuse.

Introduction

Objective

Our objective was to summarize for the U.S. Department of the Interior (DOI) the common themes and problems in award acquisition and management across the 19 Hurricane Sandy-related products—9 contract audits, 3 grant audits, 1 inspection, and 6 management advisories—we issued to bureau officials over 4 years, ending July 31, 2017.

See Appendix 1 for our scope and methodology.

Background

Hurricane Sandy was the deadliest and most destructive hurricane of the 2012 Atlantic hurricane season, and the second costliest in U.S. history. The hurricane struck the mid-Atlantic and northeastern coastlines in October 2012, causing more property damage than any other superstorm except Hurricane Katrina. Damage affected National Park Service (NPS) and U.S. Fish and Wildlife Service (FWS) facilities along the coast.

The hurricane's aftermath created an emergency cleanup situation that the DOI had never seen before. Quick response was needed, and the DOI awarded contracts and grants to address the disaster—in particular, via the contracting and procurement offices of the NPS and the FWS.

Disaster recovery moneys were established by Congress and distributed to Federal agencies, including the DOI, which received \$787 million for disaster relief efforts. The Office of Inspector General (OIG) received \$2 million of this amount to conduct audits, inspections, and investigations of various DOI contracts and grants related to Hurricane Sandy cleanup efforts. Financial awards for disaster response are riskier than normal, for several reasons. They are typically awarded quickly, right after a disaster; they add unplanned workload to awarding officials and staff; they are often awarded without competitive bidding; and they are often cost-reimbursement contracts (rather than fixed-price). These factors all require particularly careful oversight of award administration and management.

See Appendix 2 for a full list of the products we issued in the aftermath of Hurricane Sandy and have summarized in this report. We audited a total of \$70.9 million in claimed costs across 12 audit reports and identified \$14 million in questioned costs, or 19.75 percent of total claimed costs. See Appendix 3 for a breakdown of claimed and questioned costs by audit report.

Common Findings Across the Audits

We looked for common issues across OIG products related to contracts and grants awarded for Hurricane Sandy recovery. In the summary below, we note how frequently each issue occurred across the 12 audits (9 contract audits and 3 grant audits). The management and process weaknesses we identified during those cost audits were included in the inspection report and management advisories that we also issued.

Overall we found deficient pre-award practices and deficient post-award oversight across the individual bureau contracting offices, as well as weaknesses in departmental oversight.

Deficient Pre-Award Practices

The deficient pre-award practices we commonly found included (1) inadequate background research and risk assessment, (2) inadequate competition and deficient contractor selection, and (3) deficient contractor or grantee accounting system. As a result, bureaus did not prevent or detect numerous financial and internal control problems and paid extreme markups for equipment rentals.

Inadequate Background Research and Risk Assessment

Bureaus are responsible for background research to obtain understanding of the proposed work and pricing. Bureaus are also responsible for assessing the level of risk associated with a contractor or grantee when providing financial awards. We reported deficient pre-award practices related to insufficient background research or risk assessment in 7 of the 12 audit reports. Below are some examples.

During our NY Asphalt audit, we found that inadequate background research resulted in the NPS paying unreasonable markups for heavy equipment rentals. We found no evidence that NPS contracting staff identified ordinary fair-market value for renting the types of heavy equipment used to do the work under those contracts. The NPS should have recognized how extreme the contractor's markups were during the bidding phase and expanded its efforts to find potential bidders. The NPS contacted only one potential equipment provider and operator, noting in its supporting documentation that only NY Asphalt met the specifications of the contract work.

The rates the NPS agreed to pay NY Asphalt were alarming. Equipment rental made up almost all of the project costs, and everyone we talked to at the NPS believed that NY Asphalt owned or purchased the equipment used on the projects; no one was aware that the contractor actually rented the equipment, or that it was rented at huge markups. NY Asphalt rented the equipment at a monthly rate and then billed the NPS at the higher daily rate. (See Figure 2 for some examples of these markups.)

Equipment Type	Time Period	Amount NY Asphalt Paid Vendor for Rental	Amount NY Asphalt Paid for Labor*	Total Amount Paid by NY Asphalt	Total Amount the NPS Paid NY Asphalt	NY Asphalt Markup %
Cat 938	11/20 – 12/19/12	\$████	\$████	\$████	\$86,597	████
Cat 279C	11/26 – 12/20/12	████	████	████	70,602	████
Sand Sifter CV50	11/26 – 12/20/12	████	████	████	152,774	████
Sand Sifter CV100	11/26 – 12/21/12	████	████	████	152,774	████

* Amount calculated by the actual hours billed multiplied by an estimated \$████ an hour paid to the contractor's equipment operators. For example, █████ hours billed for the Cat 938 x \$████ an hour = \$████. The \$████ an hour is a conservative estimate that includes the operator's salary and overtime, administrative markups, expenses, and profit.

Figure 2. Examples of equipment markup that NY Asphalt billed to the NPS. (Reprinted from original report.)

During the Coastal Environmental Group (CEG) audit, we found that the FWS should have uncovered past performance issues and financial and cash flow problems during background research. The FWS did not prevent or detect numerous problems, including severe financial capability problems, poor internal controls, nonpayment of vendors and subcontractors, labor violations, past performance problems, issues with related parties, and no or deficient Federal contract experience. If the FWS had performed its due diligence and done a better background check, it would have identified the CEG as high risk and perhaps would have awarded the contracts elsewhere, or added more contract monitoring.

During the Student Conservation Association (SCA) inspection we found that the NPS did not perform a risk assessment. The DOI requires that bureaus use a risk assessment checklist before making any awards, including modifications, but the NPS failed to include a checklist and a risk determination in the files for two of the three agreements with the SCA. For the third agreement, the checklist and risk determination were considered not applicable in a document completed in September 2014, several months after the agreement went into effect. In each case, when we asked Grants Office staff why these documents were not included in the file, they called it an oversight.

Inadequate Competition and Deficient Contractor Selection

We reported inadequate competition and deficient contractor selection in 3 of the 12 audit reports. Bureaus are required to use a competitive bidding process, and we identified instances where this was not properly implemented. We also identified instances of contractors without the appropriate expertise and with noticeable fraud indicators. Below are some examples.

During our SCA inspection we found inadequate competition. The NPS sole-sourced a contract that it was required to compete, and there were numerous other nonprofit organizations that did similar work in the same area. When asked, Grants Office staff confirmed that little to no direct communication took place between their office and staff at the parks where the project work was completed. If more direct communication had taken place, Grants Office personnel may have learned that other potential candidates could have done the work. By neglecting to make these opportunities available to a wider network of potential bidders, the NPS went against the terms of the original master agreement.

During our entrance conference with Prizim management, they admitted they did not have the expertise for Hurricane Sandy remediation and cleanup, and they therefore subcontracted out that role to a prime subcontractor. Thus, there was no apparent need to award this contract to Prizim. As a result, the NPS unnecessarily paid \$767,707 to the contractor, \$ [REDACTED] of which was profit.

In our NY Asphalt audit, we identified that the NPS contractor selection process was flawed. We found [REDACTED] pertaining to NY Asphalt's contract experience, internal controls, and even staff members. If the NPS had identified more of these areas, it likely would not have contracted with NY Asphalt, or it might have proceeded with heightened awareness and scrutiny of the contractor's proposed charges (with emphasis on the equipment charges).

Deficient Contractor or Grantee Accounting System

We identified a deficient contractor or grantee accounting system in 6 of the 12 audit reports. Specific problems included inadequate internal controls, no segregation of duties, inadequate cost allocations, charging costs to the wrong project, charging before or after the contract allowed, and insufficient policies and procedures. Below are some examples.

During our audit of SCA agreements with the NPS, we found several problems with the SCA's internal controls. First, the SCA had no written internal control policies and procedures (as required by Federal regulations). Second, the SCA's accounting system was not a job-based cost system, so it could not associate specific costs with the individual agreements under audit. For example, when we asked SCA staff for a copy of the SCA's general ledger, it took them several months to separate the costs of one agreement from those of another and provide the ledgers to us. Further, in response to an emailed list of questions from us, the SCA's controller admitted that the SCA had no system that separated costs by job or by grant. Third, the backup the SCA provided for stipends it gave to its volunteers totaled \$9,004 less than the total stipends listed in the general ledger, meaning that the SCA could not verify who received the amounts it had recorded.

In the NY Asphalt management advisory, we reported that NY Asphalt had no prior experience with Federal contracts and acknowledged its unfamiliarity with

Deficient Post-Award Oversight

Deficiencies in post-award oversight we commonly found included (1) price gouging and no or inadequate support for use of property or equipment, (2) issues with time, labor, and travel records, including potential forgeries, unsigned timesheets, and no or inadequate support, and (3) issues with required reporting. As a result, bureaus had inaccurate or insufficient documentation and financial reports and were unable to prevent improper payments.

Problems With Real Property/Equipment Purchase and Rental

Award oversight includes ensuring the contractor or grantee has sufficient and accurate documentation for all costs claimed, including for property or equipment rental. We found problems related to this requirement in 6 of the 12 audit reports. Below are some examples.

In the NY Asphalt audit, we found that the NPS did not ensure that its equipment inspection reports were complete. Each vehicle and piece of heavy equipment must undergo a safety inspection by an NPS representative before and after it is used. The NPS inspector signs a checklist for both inspections that shows the hours of use and notes any issues with the vehicle or equipment. We identified many inspection reports that were incomplete; in addition, even though the contractor billed the NPS for at least an 8-hour day for each item, many of these items were not used for that length of time. As an example, Figure 3 shows total hours and total costs billed to the NPS for four sand sifters. One sand sifter was used a total of ■ hour over ■ days, and the NPS was billed \$72,244. In addition to the extreme markups already on the equipment, this figure also identifies the significant underuse of equipment and wasteful spending by the NPS.

E Ticket No.	Equipment Description	Total Billed to NPS	Total Days	Total Hours Used*	Hours Per Day**	Costs Per Hour†	Costs Per Day‡
E-846	Sand Sifter	\$72,244	█	█	█	\$█	\$█
E-858	Sand Sifter	56,660	█	█	█	█	█
E-5053	Sand Sifter	152,774	█	█	█	█	█
E-5054	Sand Sifter	152,774	█	█	█	█	█

* The number of hours elapsed between the pre- and post-use inspections is the total hours used for each piece of equipment.

** Hours Per Day = Total hours used / total days.

† Costs Per Hour = Total billed to the NPS / total hours used.

‡ Costs Per Day = Costs per hour x 8 hours per day.

Figure 3. Examples of overcharged, underused pieces of equipment on the NY Asphalt contracts. (Reprinted from original report.)

During the Prizim audit, we found that subcontractors were billing and being paid for equipment without sufficient supporting documentation. The only documentation provided by one subcontractor to support its equipment billings was a supervisor crew activity sheet attached to the timesheets that indicated the number of equipment items that were used on a particular day. These sheets were riddled with correction fluid and cross-outs, just like the timesheets. The subcontractor’s documentation did not provide adequate assurance as to whether equipment was actually deployed or used on the days noted. We also questioned whether the rates the subcontractor billed for equipment rentals were reasonable, but the subcontractor never provided invoices or explained how its rental rates were developed. We compared rates billed for four equipment items to the daily rental rates charged by market competitors for similar items and determined that the subcontractor charged an average markup of █ percent.

Problems With Time, Labor, and Travel Records

We found problems related to timesheets, labor, and travel documentation in 9 of the 12 audit reports. Some of these issues included potential forgeries, unsigned timesheets, or unsupported or inadequately supported contractor or grantee documentation. Below are some examples.

In the NY Asphalt audit, we determined that the NPS’ processes for reviewing and approving the contractor’s shift tickets or timesheets and invoices were faulty. This environment was ripe for abuse, but the NPS did not do enough to ensure that fraud and waste were detected and prevented. We also determined that the NPS did not properly complete, review, and approve the shift tickets and invoices the contractor did submit. This resulted in hundreds of thousands of unsupported costs. The contractor’s █ even stated that the paperwork on these projects was “a disaster.” In addition, one of the NPS contracting officers (COs) said to us, “We knew [the OIG] would be involved in this one.”

During our audit of the Prizim contract we found that the NPS provided very little oversight of the contractor's timesheets and other supporting documentation and no oversight of any of the supporting documentation (e.g., timesheets, equipment tickets and invoices, travel expenses) submitted by any of the subcontractors. We found for one subcontractor that there was no supervisory approval of many of the timesheets. We identified more than 700 employee timesheets for the project that had not been supervisor approved. For example, none of the 32 timesheets for one individual, employed on the contract as a general laborer, had been approved. Another individual, a project auditor, had only 2 out of 41 timesheets approved. We found that yet another employee, a [REDACTED] supervisor, had only 8 out of 36 timesheets approved. On this audit we also found employees signing off as supervisor on their own timesheets. We found that one employee self-approved all 32 timesheets billed to the project. Even worse, we identified employees signing off as supervisors for their peers and supervisors. A general laborer signed off as a supervisor for 12 other employees, including the [REDACTED] manager and a [REDACTED] supervisor.

In our audit of Dewberry and Davis contracts, we found that FWS employees did not review the qualifications of Dewberry employees to ensure that they billed at correct labor rates. FWS employees said that they reviewed some employee qualifications as part of the proposal review process, but did not have the resources to review the qualifications of every employee. Instead they relied on Dewberry to assign employees to appropriate labor categories from the governing Federal Supply Schedule. We determined that the Dewberry contracts contained duplicate job descriptions and overlapping experience requirements—but different hourly billing rates—for two labor categories, namely CADD Operator and CADD System Operator. The hourly rate for CADD Operator was \$45.51, and for CADD System Operator it was \$62.83. We identified four Dewberry employees who were eligible to bill at the lower CADD Operator rate but instead billed at the higher CADD System Operator rate. This practice resulted in \$25,825 in additional costs billed to the contracts that we regard as wasted funds. FWS staff should have verified the billing rates and experience equivalents for both contracts, and the CO or an authorized representative should have performed periodic reviews on invoices by substantiating them with appropriate supports.

Issues With Required Reporting

We found problems related to reporting in 4 of the 12 audit reports. Specifically, these problems were related to required reports such as the Federal Financial Report (SF-425), progress reports, and performance measures. Below are some examples.

During our audit of SCA agreements with the NPS, the absence of internal controls was evident in the SCA's final spending reports for the agreements, specifically its SF-425s. The SF-425s that the SCA filed were inaccurate, and the SCA sometimes filed them well past their deadlines without an approved extension. The SCA also failed to complete its final progress reports for two of

the three agreements. While the third agreement's final report mentioned its goals and accomplishments, we believed that the SCA did not do so in sufficient detail to satisfy the Federal reporting requirements.

During our audit of University of Rhode Island agreements with the NPS, we discovered problems with the performance measures for the project deliverables. Specifically, we found that project deliverables for the two task agreements were not submitted according to the terms of the agreements. The content of the deliverables and their due dates were altered too frequently to be considered established milestones for performance. Without clearly defined goals and milestones, it was unclear whether the university was on track to complete the projects according to the terms stated in the agreements.

Weakness in Departmental Oversight

We determined that the DOI did not have its own comprehensive emergency acquisition policy and guidance, during or since Hurricane Sandy recovery efforts. Further, the DOI did not use emergency acquisition guidance available from the Office of Management and Budget (OMB) or disseminate it to the bureaus (as directed in the guidance). As a result, when disaster struck, the bureaus had no standing emergency acquisition response teams, no specific disaster response training, no standardized forms for emergencies, and they did not consult the U.S. General Services Administration's Disaster Relief Registry as part of the pre-award process.

FAR § 18.205, "Emergency Acquisition Flexibilities (Resources)," refers to the OMB's *Emergency Acquisition Guide*, dated January 14, 2011, which assists the Federal contracting community with carrying out procurement activities, including for major disaster declarations and other emergencies. It provides agency best practices in the areas of pre-emergency planning, as well as considerations when awarding or maintaining contracts supporting emergency response. This guidance was available 18 months prior to Hurricane Sandy.

The absence of departmental emergency acquisition policy and failure to implement available OMB guidance helped contribute to inadequate pre-award oversight and inadequate contract monitoring during the Hurricane Sandy emergency. We conclude that acquisitions related to emergency response were not a top priority within the DOI before or during the Hurricane Sandy response.

If the DOI continues to operate without its own policy or available OMB guidance, it will subject Federal funds to fraud, waste, abuse, and potential inefficiencies in the awarding and management of emergency acquisitions.

Improvements Planned by the NPS and the FWS

Through review of the reports and interviews with bureau personnel, we compiled the following list of improvements planned for the award process and agreement oversight at the NPS and the FWS. We have not yet verified whether these improvements have been started or completed.

- In response to the duplicate job descriptions we found in our Dewberry and Davis audit, the FWS said it will address the ambiguity in the underlying Federal Supply Schedule to ensure the correct labor categories are used for invoicing purposes. The FWS will also modify the audited contracts to require that the contractor obtain FWS review and approval of the qualifications and labor categories for any new or substituted contractor personnel who perform contract tasks prior to invoicing.
- The FWS agreed to train employees on contract administration to improve overall oversight. The FWS will incorporate further training on invoicing and acceptance procedures specific to findings in our Hurricane Sandy related audits. Currently, the FWS Division of Contracting and General Services hosts monthly training sessions on a variety of acquisition topics for acquisition personnel, COs, and contracting officer's representatives. The FWS will incorporate a monthly training session that will focus on receiving invoices and supporting documentation. All personnel involved with the invoicing process will receive notification of training and have the opportunity to participate. This training will provide a learning platform for improving invoicing review and oversight of contract management.
- In its response to our Kane Communications management advisory, the NPS said that the Denver Service Center will improve its source selection decision documentation and require discussion of large disparities among proposed prices when a variance precludes achievement of adequate competition or meaningful comparison. The service center is updating its required contract templates for executing agreements.
- The NPS procurement chief stated that he has monthly teleconference meetings and annual in-person meeting with the bureau's regional chiefs of contracting. In October 2017, participants at the in-person meeting discussed in depth the Hurricane Sandy results and lessons learned to implement changes for responses to Hurricanes Irma and Harvey. Three actions items were taken by the procurement chief's office: (1) to identify the training necessary to develop the skill set for an acquisition professional to successfully award legally compliant, well-documented,

and timely contracts in support of recovery and stabilization efforts, (2) to maintain a central list of COs/contract specialists who are trained in emergency acquisitions and can be used by staff responding to these emergencies, and (3) to work with the Visitor and Resource Protection Directorate to issue guidance to NPS staff that delineates roles and responsibilities, authorities, communication chain and escalation, budget/finance points of contact, and other pertinent information for emergency response. Final and formal policy guidance will be dependent on the pending revisions to the DOI's *Incident Management Handbook*, which contains some information that conflicts with established acquisition guidance.

Suggested Improvements for Future Disaster Response

We suggest that the DOI make improvements to pre-award practices, post-award oversight, and departmental oversight. Such improvements are needed to avoid contracting inefficiencies during future emergency response that could needlessly subject Federal funds to fraud, waste, and abuse.

Suggestions To Improve Pre-Award Practices

We suggest that the bureaus improve planning related to buying, renting, and leasing of equipment to ensure the DOI does not unnecessarily pay for excessive markups during and after the initial emergency. To help achieve this, we suggest the following steps be taken as part of future contract and grant negotiations:

- Train COs and grants management officers (GMOs) on buying and leasing equipment specific to natural disaster emergencies, when costs are inflated due to scarcity of equipment. COs and GMOs would benefit from training that provides greater pre-award awareness related to ensuring that contracts do not continue to pay inflated equipment costs after the critical initial emergency period is over (i.e., 3 or 6 months into the contract). The OMB has guidance on handling pricing changes for over-inflated initial equipment costs.
- Identify fair-market value for equipment and services and expand search efforts and area for more potential bidders.

We also suggest the bureaus ensure that comprehensive pre-award assessments are performed to evaluate the contractor's or grantee's capability to account for funds prior to making an award. Specifically:

- Improve pre-award assessments of potential contractors, including background checks and financial capabilities. Pre-award assessments help ensure that the potential contractor has adequate financial capabilities and financial internal controls. These assessments also enable the DOI to decide whether to award a contract and whether to add conditions to it and allow management to plan the appropriate level of contractor oversight.
- Evaluate the contractor's or grantee's capability to account for funds prior to awarding a contract. Actions might include: (1) reviewing the contractor's two most recent financial statements, (2) reviewing the contractor's Dun and Bradstreet report, (3) sending the contractor an internal control review questionnaire, (4) checking the Financial and Business Management System (FBMS) and the Federal Procurement Data System (FPDS) for extent of contractor experience with the DOI and

Federal contracts, and (5) performing internet searches for past performance (in addition to the Government's Past Performance Information Retrieval System, or PPIRS), lawsuits, and any problems with company and senior leadership.

Suggestions To Improve Post-Award Oversight

We suggest that the DOI direct the bureaus to strengthen internal controls over post-award monitoring, particularly the monitoring and record-keeping for supporting documentation such as invoices, timesheets, shift tickets, and inspection reports.

In addition, we suggest the DOI provide better guidance specifically regarding time and materials (T&M) contracts, and ensure they are staffed by COs who have experience overseeing this type of contract. Many of the oversight issues we identified were for COs overseeing T&M contracts—including the Prizim, NY Asphalt, and CEG contracts. Ineffective monitoring increases the risk of improper payments and untimely expenditures.

We believe the bureaus should provide risk-based oversight and review of subcontractors' supporting documentation. Currently, the DOI does not provide any oversight of subcontractors and relies on the contractor to do so. As an example, risk-based oversight could include sampling a percentage of a subcontractor's invoices looking for vendor invoices and supporting documentation, and doing basic math calculations to make sure the amounts billed were correct.

Finally, the FWS has developed a pilot checklist for processing T&M contract invoices that is being tested in its Northeast Region. We note, however, that this checklist does not include a step to ensure that costs were reasonable and is not part of a formal written policy. We therefore suggest revising the checklist to include these critical items to help ensure that the bureau does not pay unreasonably inflated markups during or after the initial emergency has ended.

Suggestions To Improve Departmental Oversight

We strongly suggest that the DOI enact Departmentwide disaster emergency acquisition policy and incorporate available OMB guidance.

Conclusion

Our audits of contracts and grants awarded for Hurricane Sandy recovery efforts identified common issues and problems. Overall we found deficient pre-award practices and deficient post-award oversight across NPS and FWS contracting offices, as well as weaknesses in departmental oversight.

These deficiencies—coupled with the absence of departmental emergency acquisition policy or guidance and the DOI’s failure to use available OMB emergency acquisition guidance—increase the risk of fraud, waste, and abuse and diminish the integrity of emergency acquisitions management at the DOI.

We have noted the improvements planned by the NPS and the FWS to correct these deficiencies, and we make suggestions to further strengthen pre-award practices, post-award oversight, and departmental oversight. The information in this report, if utilized, will help the DOI’s Office of Acquisition and Property Management provide improved policy and oversight for future disaster recovery.

Appendix I: Scope and Methodology

Scope

This report identifies (1) weaknesses and opportunities for improvement in pre-award practices and post-award oversight of Hurricane Sandy-related contracts and grants, (2) any improvements planned by the U.S. Department of the Interior (DOI) as a result of implementing our recommendations, and (3) suggested improvements to help enhance the DOI's response in any future disaster or emergency.

We reviewed the results of all 19 products—9 contract audits, 3 grant audits, 1 inspection, and 6 management advisories—that we issued to the National Park Service, U.S. Fish and Wildlife Service, and Bureau of Ocean Energy Management over 4 years, ending July 31, 2017, related to awards made by the bureaus for Hurricane Sandy recovery. Most of the major findings we identified were with time-and-materials contracts made within the first weeks and months after Hurricane Sandy.

We conducted our inspection in accordance with the Quality Standards for Inspection and Evaluation as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions.

Methodology

To accomplish this inspection, we:

- Reviewed the results of the 19 products related to financial assistance awards for Hurricane Sandy recovery issued by the Office of Inspector General (OIG)
- Interviewed bureau personnel to learn of any improvements or best practices implemented to improve the award process and agreement oversight
- Reviewed bureau responses to our audit reports and determined the status of report recommendations
- Researched and reviewed Federal Government, departmental, and bureau-level emergency acquisition policies
- Reviewed the DOI Office of Emergency Management's SafeTalk system
- Talked with the OIG Office of Investigations

Appendix 2: Schedule of Reviewed OIG Audits, Inspections, and Management Advisories

Contract Audits
Audit of Interim Costs Claimed by Clean Venture, Inc., Under Contract No. INF14D01910 With the U.S. Fish and Wildlife Service (2015-ER-023), issued July 1, 2016
Audit of Interim Costs Claimed by Coastal Environmental Group, Under Contract Nos. INF13PC00214 and INF13PC00195 With the U.S. Fish and Wildlife Service (X-CX-FWS-0002-2014), issued May 4, 2016
Audit of Interim Costs Claimed by Dewberry and Davis Under Contract Nos. INF15PB000057 and INF15PB000059 With the U.S. Fish and Wildlife Service (2016-CG-031), issued August 10, 2016
Audit of Interim Costs Claimed by Donjon Marine Company Inc. Under Contract No. INF14PD01909 With the U.S. Fish and Wildlife Service (2015-ER-022), issued August 3, 2016
Compliance Audit of National Park Service Contract No. PI5PC00612 With Kane Communications, LLC (2016-CG-033), issued March 31, 2017
Audit of Final Costs Claimed by NY Asphalt, Inc., Under Contract Nos. INPSANDY12003, INPI3PX28237, and INPI3PX22222 With the National Park Service (X-CX-NPS-0001-2014), issued October 21, 2014
Audit of National Park Service Task Order No. PI4PD00557 With Perini Management Services, Inc. (2015-ER-020), issued September 18, 2015
Audit of Interim Costs Claimed by Prizim, Inc., Under Contract No. P09PA60840 With the National Park Service (ZZ-CX-NPS-0004-2013), issued November 8, 2013
Compliance Audit of National Park Service Contract No. PI5PC00170 With Strategic Consulting Alliances, LLC (2016-CG-008), issued October 4, 2016
Grant Audits
Audit of Task Agreement Nos. PI3AC00279, PI3AC01094, and PI4AC00445 Between the National Park Service and the Student Conservation Association Under Cooperative Agreement No. P09AC00402 (2015-ER-061), issued February 3, 2017
Audit of Bureau of Ocean Energy Management Cooperative Agreement No. MI3AC00012 With the University of Florida (2015-WR-018), issued September 29, 2015
Audit of National Park Service Task Agreement Nos. PI3AC00875 and PI3AC00891 With the University of Rhode Island (2015-WR-084), issued September 16, 2016

Inspection

Internal Control Review of Student Conservation Association, Inc. (2015-ER-056), issued May 31, 2016

Management Advisories

Issues Identified During Our Audit of Interim Costs Claimed by Coastal Environmental Group, Under Contract Nos. INF13PC00214 and INF13PC00195 With the U.S. Fish and Wildlife Service (X-CX-FWS-0003-2014), issued May 4, 2016

Issues Identified During Our Audit of Interim Costs Claimed by Dewberry and Davis on Contract Nos. INF15PB000057 and INF15PB000059 With the U.S. Fish and Wildlife Service (2016-CG-031-A), issued August 10, 2016

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 (2015-ER-022-A), issued August 3, 2016

Issues Identified During Our Compliance Audit of National Park Service Contract No. PI5PC00612 With Kane Communications, LLC (2016-CG-033-A), issued March 31, 2017

Issues Identified During Our Audit of Final Costs Claimed by NY Asphalt, Inc., Under Contract Nos. INPSANDY12003, INPI3PX28237, and INPI3PX22222 With the National Park Service (ER-MA-NPS-0016-2014), issued October 21, 2014

Issues Identified During Our Compliance Audit of Strategic Consulting Alliances, LLC, on Contract No. PI5PC00170 With the National Park Service (2016-CG-008-A), issued October 4, 2016

Appendix 3: Claimed and Questioned Costs in Reviewed OIG Audits

This table presents the claimed and questioned costs for the 12 contract and grant audits related to Hurricane Sandy recovery that we issued over the 4 years ending July 31, 2017.

OIG Product	Claimed Costs	Questioned Costs
Audit of Interim Costs Claimed by Clean Venture Inc. Under Contract With the FWS (2015-ER-023)	\$1,970,284	\$1,040
Audit of Interim Costs Claimed by Coastal Environmental Group Under Contracts With the FWS (X-CX-FWS-0002-2014)	5,373,154	2,009,036
Audit of Interim Costs Claimed by Dewberry and Davis Under Contracts With the FWS (2016-CG-031)	1,063,431	0
Audit of Interim Costs Claimed by Donjon Marine Company, Inc., Under Contract With the FWS (2015-ER-022)	3,119,076	13,745
Compliance Audit of NPS Contract With Kane Communications, LLC (2016-CG-033)	2,746,436	0
Audit of Final Costs Claimed by NY Asphalt, Inc., Under Contracts With the NPS (X-CX-NPS-0001-2014)	4,551,942	988,203
Audit of NPS Task Order With Perini Management Services, Inc. (2015-ER-020)	37,300,427	6,140,212
Audit of Interim Costs Claimed by Prizim, Inc., Under Contract With the NPS (ZZ-CX-NPS-0004-2013)	6,884,871	3,650,347
Compliance Audit of NPS Contract With Strategic Consulting Alliances, LLC (2016-CG-008)	4,100,530	259,493
Audit of Task Agreements Between the NPS and the Student Conservation Association (2015-ER-061)	1,649,916	740,681
Audit of BOEM Cooperative Agreement With the University of Florida (2015-WR-018)	873,300	59,793
Audit of NPS Task Agreements With the University of Rhode Island (2015-WR-084)	1,284,598	146,329
Total	\$70,917,965	\$14,008,879
Percentage of total claimed costs that we questioned in these audits		19.75%

