



OFFICE OF INSPECTOR GENERAL



DEPARTMENT OF THE INTERIOR

# RECOVERY OVERSIGHT ADVISORY

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## RECOVERY OVERSIGHT OFFICE

Washington, DC 20240

MAY 29 2009

To: Chris Henderson  
Senior Advisor to the Secretary for Economic Recovery and Stimulus

From: Robert A. Knox   
Assistant Inspector General, Recovery Oversight Office

Subject: Recovery Oversight Advisory – Observations on Administrative Cost Guidance  
(ROO-ROA-MOA-1009-2009)

Congress provided us with funding to oversee and ensure accountability of the \$3 billion appropriated to the Department of the Interior (Department) in the American Recovery and Reinvestment Act of 2009 (Recovery Act or Act). To help safeguard these taxpayer dollars, we will focus on: preventing fraud, waste, and abuse of recovery and reinvestment dollars; early detection to reduce the impact of misuse when it does occur; and ensuring transparency in our oversight efforts. In a spirit of collaboration with the Department as it implements the massive programs envisioned under the Act, this advisory informs you of observations regarding the implementation of the Department's "Administrative and Support Cost and Management and Oversight Cost Guidelines" (Administrative Guidance), issued April 27, 2009. We provided a draft of our observations to the Department for review and comment, and Department officials have already addressed, through verbal clarification and in updated guidance dated May 6, 2009, two areas of concern we communicated.

The Conference Report that accompanies the Recovery Act (House Report 111-16) specifies that administrative and support costs for programs in Title VII of the Act shall not exceed 5 percent. All programs in the Department that received Recovery Act funding, with the exception of those operated by Bureau of Reclamation, fall under Title VII.<sup>1</sup> The Department's Administrative Guidance sets forth further clarification for using Recovery Act funds for administrative costs.

To determine if the Administrative Guidance is being implemented properly by the bureaus, we reviewed the Administrative Guidance; interviewed an official in the Administrative Cost Working Group; reviewed the bureau project plans; discussed the administrative costs with the bureau Recovery Act coordinators; and documented concerns expressed at two town hall meetings related to the Recovery Act. We discuss below our observations and the Department's action.

The Administrative Guidance indicates that contract preparation, review, and award costs, "should be charged to project funds" (rather than being charged as an administrative cost). The National Park Service (NPS), Fish and Wildlife Service (FWS), Bureau of Indian Affairs

<sup>1</sup> The Bureau of Reclamation may spend up to .5 percent of enacted appropriations on management and oversight costs (Recovery Act, Section 403).

(BIA), and the United States Geological Survey (USGS) are treating the costs associated with contracting as administrative costs. The Bureau of Land Management (BLM) is planning to treat these costs as part of the (non-administrative) project costs. We initially expressed concern that NPS, FWS, BIA, and USGS were not following the Administrative Guidance. A Department official clarified that the word “should” was used to indicate that a bureau had the option of treating such costs associated with contracting as either an administrative or direct project cost. Each bureau need only charge each type of cost consistently. We note that the Administrative Guidance could be clearer that contract preparation, review, and award costs may be charged either directly to the project or as an administrative cost, but that they must be charged consistently.

Additionally, a Department official indicated that no budget plans are required by the Department or under the Recovery Act for the administrative and support costs. We believe that without an administrative cost and support plan, it will be difficult to evaluate prospective spending of the bureaus and to ensure accountability and transparency over these expenses. The information provided in the bureau project plans does not contain specific information about these costs. BLM and NPS are developing administrative cost budgets to help monitor Recovery Act funds. Requiring administrative cost and support plans could help to ensure transparency and oversight in expenditure of administrative costs.

As a final note, we commend the Department for making a change in its policy due to valid concerns raised by the bureaus. We reported in a review draft of this advisory (and bureaus discussed with the Department) a concern over a policy pertaining to Recovery Act expenses. The Department had communicated a policy permitting only those bureau personnel that are entirely dedicated to Recovery Act projects to charge Recovery Act funds. According to Department officials, the rule was established after considering the intent of the Recovery Act to stimulate the economy, the language of the Act itself, and guidance from the Office of Management and Budget. The Department's intent was to prevent Recovery Act funding from becoming a supplement to the base funding of the normal appropriations.

Many bureau employees feel that such a requirement would be restrictive and could limit flexible scheduling of staff. They also feel it would be more cost effective to employ the skills of field level personnel to both Recovery Act and non-Recovery Act projects than to hire two field level staff with the same set of skills. New guidance was issued on May 6, 2009 stating that, “Examples of allowable administrative and support costs are revised to permit charging auditable work time devoted to ARRA [Recovery Act] funds... where the employee performs other duties outside of the scope of ARRA [the Recovery Act].” In other words, existing staff temporarily assigned to work on Recovery Act projects will no longer be required to work exclusively on Recovery Act projects to be paid for from Recovery Act appropriations. To ensure accountability and transparency, we note that it will be important for the bureaus – perhaps with further guidance or input from the Department – to develop methods to track time and costs for staff who work on both Recovery Act and non-Recovery Act activities.

We do not require an official response to this advisory, but we will post it on our website ([www.doi.gov](http://www.doi.gov)) and [Recovery.gov](http://Recovery.gov). Information contained in this advisory may also be included in our semi-annual reports to Congress. Please feel free to contact me if you have any questions.

cc:     Acting Assistant Secretary – Policy, Management and Budget  
         Director, Office of Financial Management  
         Director, Office of Acquisition and Property Management  
         Departmental GAO/OIG Audit Liaison  
         Audit Liaison, Office of the Secretary

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Mail Stop 4428 MIB  
1849 C Street, NW  
Washington, D.C. 20240

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