

DOCUMENT RESUME

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[Need for Better Accountability for Cost of Offsite Radiological Monitoring Service]. EMD-77-69; B-178726. September 27, 1977. 6 pp.

Report to Robert W. Fri, Acting Administrator, Energy Research and Development Administration; by J. Dexter Peach (for Monte Canfield, Jr., Director, Energy and Minerals Div.).

Issue Area: Accounting and Financial Reporting (2800).

Contact: Energy and Minerals Div.

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304); Natural Resources, Environment, and Energy: Energy (305).

Organization Concerned: Department of Energy; Environmental Protection Agency; Environmental Protection Agency: Environmental Monitoring and Support Lab., Las Vegas, NV.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Energy and Natural Resources.

Authority: Department of Energy Organization Act (P.L. 95-91).

The Environmental Protection Agency (EPA) has a cost-reimbursable agreement with the Energy Research and Development Administration (ERDA) under which EPA's Environmental Monitoring and Support Laboratory-Las Vegas (EMSL) conducts offsite radiological monitoring of ERDA's Nevada Test Site and is reimbursed by ERDA for providing those services. ERDA's responsibilities under the agreement will be transferred to the new Department of Energy. Findings/Conclusions: EPA has been substantially overcharging ERDA for EMSL's services. The exact amount of the overcharges was not determined, however, due to inadequate accountability by EMSL for costs incurred under the agreement and uncertainty about which costs should be reimbursable under the agreement. During the first 6 months of fiscal year 1977, EMSL had charged ERDA \$949,900 for costs of providing agreement services, about 95% of which costs were labor charges. EMSL was generally not charging ERDA for the actual labor costs of the employees who were actually doing the monitoring, but rather for persons scheduled to perform the monitoring. Recommendations: The existing agreement should be revised to provide for specific identification of costs or cost elements that should be reimbursed. The Acting Administrator of ERDA should take the initiative to revise the agreement and to require that EPA fully document charges submitted for reimbursement. (SC)

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ENERGY AND MINERALS
DIVISION

SEP 27 1977

B-178726

03715

The Honorable Robert W. Fri
Acting Administrator, Energy Research
and Development Administration

Dear Mr. Fri:

We have reviewed the accountability for costs incurred by the Environmental Protection Agency (EPA) in providing radiological monitoring services under a cost-reimbursable agreement with the Energy Research and Development Administration (ERDA). Under this agreement (agreement no. EY-76-A-08-0539,, EPA's Environmental Monitoring and Support Laboratory-Las Vegas (EMSL) conducts offsite radiological monitoring of ERDA's Nevada Test Site and is reimbursed by ERDA for providing those services. Pursuant to the Department of Energy Organization Act (Public Law 95-91), ERDA's responsibilities under this agreement will be transferred to the new Department of Energy, which is scheduled to begin operations on October 1, 1977.

We found that EPA was substantially overcharging ERDA for EMSL's services. The exact amount of overcharge is indeterminate, however, because of (1) inadequate accountability by EMSL for costs incurred under the agreement and (2) uncertainty about which costs should be reimbursable under the agreement.

Accordingly, we recommend that you take the initiative to revise the agreement to (1) specifically identify which cost elements are to be reimbursed and (2) require that EPA fully document charges submitted for reimbursement. In a separate letter, we are also recommending that the Administrator, EPA, issue instructions requiring EMSL employees to record and maintain appropriate records of the actual costs incurred for each cost element under the agreement and that such records support all future charges submitted to ERDA and the Department of Energy for reimbursement.

We conducted our review at ERDA's Nevada Operations Office and EMSL, which are located in Las Vegas, Nevada. We discussed

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(30032)

our findings with ERDA and EPA headquarters officials in Washington, D.C., whose comments have been recognized in this report.

BACKGROUND

EMSL is one of three laboratories within the Office of Monitoring and Technical Support under EPA's Office of Research and Development. In addition to the offsite monitoring agreement with ERDA, EMSL is engaged in various other EPA- and ERDA-related programs such as developing and optimizing methods, systems, and strategies for monitoring environmental pollutants and understanding how radioactive materials in the environment are transferred to man.

The present offsite radiological monitoring agreement was originally executed between the former Atomic Energy Commission (AEC) and EPA on June 1, 1971, and has been honored by ERDA since ERDA's inception in January 1975. Under the agreement EMSL is to determine the radiation exposure to man and the environment resulting from nuclear explosives testing. The total costs charged by EPA for EMSL's work were about \$12 million through September 30, 1976. Additional costs of about \$2.1 million are expected to be charged during fiscal year 1977. The offsite monitoring constitutes approximately 18 percent of EMSL's total budget.

INADEQUATE ACCOUNTABILITY FOR COSTS INCURRED UNDER AGREEMENT

During the first 6 months of fiscal year 1977, EMSL had charged ERDA \$949,900 for costs of providing agreement services. Approximately 95 percent of these costs were labor charges prorated at an annual rate equivalent to about 90 staff years of effort.

EMSL generally was not charging ERDA for the actual labor costs of employees who were actually doing the monitoring. Instead, labor costs were being charged on the basis of predetermined assignments of employees to the monitoring effort. For example, if EMSL believed beforehand that a given employee would be assigned to work under the monitoring agreement, that employee's regular time and associated labor costs were charged to the agreement even if the employee had not worked on the assignment. Conversely, labor costs associated with EMSL employees normally assigned to EPA-funded work were being charged against EPA funds on a similar predetermined basis, regardless of which work they were actually performing. Costs for overtime, however, were being charged to those programs on which the employees actually worked.

According to EPA and EMSL officials, EMSL's predetermined charging of regular salary costs to programs and activities is in accordance with EPA's system of accounting for similar labor costs. Under this system--the Departmental Integrated Payroll Services (DIPS) system--a specific work code is assigned to each position and the cost of all regular time worked by the individual in that position is routinely charged to the assigned work code.

EPA and EMSL officials pointed out that they account for all overtime by the actual work code on which the costs are incurred because overtime must be authorized in advance by each program. Thus, EMSL is required to assure that overtime charges are incurred only on authorized programs or work codes.

Of the 90 staff years charged to the agreement, 76 were associated with the regular hours of permanent, full-time employees whose related salary costs were charged on a predetermined basis. The 14 remaining staff years were attributed to part-time and temporary employees (whose costs were also charged on a predetermined basis) and direct overtime charges.

Because of EMSL's predetermined charging of the regular working hours of its employees, EMSL's timekeeping records did not provide a reliable basis to test the reasonableness of the equivalent 90 staff years charged to the agreement. However, a detailed analysis of available records and interviews with EMSL personnel (including the project manager for the offsite radiological monitoring agreement) enabled us to estimate the amount of labor being put into the agreement by EMSL. This estimate showed that, during the first half of fiscal year 1977, the actual time worked by EMSL personnel on the offsite monitoring effort was equivalent to about 64 staff years, about 26 staff years less than the time that EMSL charged ERDA. Thus, based on EMSL's average staff year cost of \$20,000, EMSL was overcharging ERDA about \$520,000, as shown in the following table.

Estimate of Projected Overcharges
for Fiscal Year 1977 (note a)

| | <u>Equivalent:</u> <u>staff years</u> | <u>Costs</u> |
|---|--|-------------------|
| EMSL's labor charges to ERDA | 90 | \$1,800,000 |
| Our estimate of actual labor charges | <u>64</u> | <u>1,280,000</u> |
| Amount of projected overcharges | <u>26</u> | <u>\$ 520,000</u> |

a/Based on actual EMSL charges versus our estimate for the first 6 months of fiscal year 1977 and the difference projected through the rest of the year.

Although EMSL's predetermined charging of labor costs is provided for under the DIPS system, we found that the reverse side of employee timecards provided space for employees to charge their time directly to the programs or codes that they actually worked on. Requiring employees to do so would assure that future labor charges to ERDA and the Department of Energy are appropriate.

Commenting on our review results, the Director, EMSL, agreed that EMSL's practice has led to losing track of some costs and that certain salary costs charged to ERDA were not related to work under the reimbursable agreement. He pointed out, however, that a study EMSL made after our review showed that an estimated 70 staff years were being spent for offsite monitoring, as opposed to the 64 staff years shown by our estimate. He said that the amounts overcharged to ERDA for labor were more than offset by certain overhead costs, such as space rental and general and administrative expenses at EPA headquarters, that were not charged to ERDA. EPA and ERDA officials advised us, however, that such costs are normally waived under interagency agreements involving work in which the agencies have a mutual programmatic interest, such as in carrying out the radiological monitoring.

NEED TO REVISE EXISTING AGREEMENT

There is a need to revise the existing agreement to provide for specific identification of costs or cost elements that should be reimbursed. The original agreement between EPA and the former AEC has remained essentially unchanged since it became effective in June 1971. With respect to reimbursable costs, the agreement merely states that ERDA is to

reimburse EPA for reasonable costs incurred in providing services. However, the agreement does not define the term "reasonable costs" and does not specify cost elements which should be reimbursed.

Nearly all charges EMSL made were for labor--only a small portion was attributed to incidental materials and supplies. The bulk of the materials and supplies were provided to EMSL by ERDA's Nevada Operations Office.

EMSL and ERDA officials said there was no specific agreement on what the term "reasonable costs" meant and could not demonstrate that the costs charged to ERDA were reasonable. EMSL officials said that EMSL's practice of overcharging ERDA for labor costs and abstaining from charging ERDA for overhead costs were offsetting and, therefore, the costs charged to ERDA were reasonable. On the other hand, ERDA officials said that they let EMSL determine what constitutes reasonable costs.

According to an official within ERDA's Office of the Controller, ERDA's interagency agreements are usually more specific in stating which cost elements are to be reimbursed and in requiring that related billings be supported by each cost element. He added that the monitoring agreement preceded ERDA's inception and therefore did not contain some of the standard "boiler plate" language on reimbursable cost elements.

CONCLUSIONS AND RECOMMENDATIONS

Although the exact amount of labor costs that should have been charged to ERDA cannot be determined, we believe that direct and indirect labor costs should be systematically determined and used as the basis for agreement charges.

Neither EPA nor ERDA have any assurance at this time that the amounts charged by EMSL for the monitoring are reasonable. Similarly, there is no assurance that the funds are being used as the Congress intended when it approved ERDA's appropriations.

We are, therefore, recommending that you take the initiative to revise the agreement to (1) specifically identify which cost elements are to be reimbursed and (2) require that EPA fully document charges submitted for reimbursement. In a separate letter, we are also recommending that the Administrator, EPA, issue instructions requiring EMSL employees to record and maintain appropriate records of the actual costs incurred for each cost element under the agreement and that

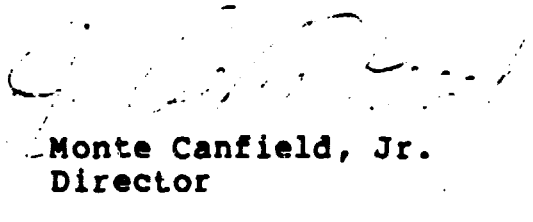
such records support all future charges submitted to ERDA and the Department of Energy for reimbursement.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the Director, Office of Management and Budget; the Chairmen, House Committees on Appropriations and Government Operations and the Senate Committee on Governmental Affairs; and oversight committees for the agency.

We appreciate the courtesy and cooperation extended to our staff during the review.

Sincerely yours,



Monte Canfield, Jr.
Director