



U.S. Department of Energy
Office of Inspector General
Office of Inspections

Inspection Report

Inspection of Savannah River
Operations Office Management
of Emergency Response and Law
Enforcement-Related Grants

DOE/IG-0604

June 2003



Department of Energy

Washington, DC 20585

June 2, 2003

MEMORANDUM FOR THE SECRETARY

FROM:

Greg Friedman
Gregory H. Friedman
Inspector General

SUBJECT:

INFORMATION: Report on "Inspection of Savannah River Operations Office Management of Emergency Response and Law Enforcement-Related Grants"

BACKGROUND

The Office of Inspector General conducted a review of the Savannah River Operations Office's (SRO's) management of grants awarded for emergency response and law enforcement-related activities. The grants are for activities intended to enhance area security and safety, such as training State and local emergency response personnel whose services may be required in the event of a radiological incident; operating a State emergency operations center; and maintaining a mobile radiation laboratory to be used in the event of a radiological release. SRO has five grants associated with emergency response and law enforcement-related activities: two with the State of Georgia and three with the State of South Carolina. Financial obligations for the five grants for Fiscal Years (FYs) 2001 and 2002 were approximately \$2,682,534 and \$3,004,728, respectively. SRO officials are responsible for ensuring that grantee activities are in accordance with the grant terms and for verifying the proper expenditure of grant funds.

RESULTS OF INSPECTION

We concluded that SRO was not adequately managing the grants to Georgia and South Carolina and did not have documentation to support whether or not the grant recipients were on schedule and meeting milestones. Specifically, we found that SRO:

- Had not received many of the deliverables specified in the grants;
- Had not followed up as required on the delinquent deliverables; and
- Did not have a formal system for tracking grant deliverables.

The deliverables consist of progress and financial reports that provide performance and financial data that allow the Department to assess whether grantee performance is meeting established objectives and taxpayer funds are being appropriately used.

We recommended that SRO ensure receipt of all currently delinquent deliverables and that all incurred costs associated with the grants are reviewed for appropriateness and allowability.



Further, we recommended that SRO develop and implement a system for tracking deliverables, to include establishing a course of action when delinquencies remain unresolved.

MANAGEMENT REACTION

Management concurred with our recommendations and has initiated or is in the process of initiating corrective actions.

Attachment

cc: Deputy Secretary
Under Secretary for Energy, Science and Environment
Assistant Secretary for Environmental Management
Director, Office of Management, Budget and Evaluation/Chief Financial Officer

INSPECTION OF SAVANNAH RIVER OPERATIONS OFFICE MANAGEMENT OF EMERGENCY RESPONSE AND LAW ENFORCEMENT-RELATED GRANTS

TABLE OF CONTENTS

OVERVIEW

Introduction and Objective	1
Observations and Conclusions	1

DETAILS OF FINDINGS

Receipt of Grant Deliverables	3
Follow-up on Delinquent Deliverables	4

<u>RECOMMENDATIONS</u>	4
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<u>MANAGEMENT COMMENTS</u>	5
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<u>INSPECTOR COMMENTS</u>	5
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APPENDICES

A. Scope and Methodology	6
B. Management Comments	7

Overview

INTRODUCTION AND OBJECTIVE

The Office of Inspector General (OIG) conducted an inspection of select grants funded by the Department of Energy (DOE) Savannah River Operations Office (SRO). Specifically, the purpose of this inspection was to review the oversight and management of grant monies awarded by SRO for emergency response and law enforcement-related activities.

SRO has five such grants. The State of Georgia received two grants, and the State of South Carolina received three grants. Financial obligations for the five grants for Fiscal Years (FYs) 2001 and 2002 were approximately \$2,682,534 and \$3,004,728, respectively. The Georgia agencies responsible for managing the grants are the Emergency Management Agency and the Department of Natural Resources. The South Carolina agencies responsible for managing the grants are the Department of Health and Environmental Control and the Emergency Management Division.

SRO officials are responsible for ensuring that grantee activities are in accordance with the grant terms and for verifying the proper expenditure of grant funds. We reviewed the five grants to determine whether SRO is adequately managing these grants, to include ensuring that the grant recipients are on schedule and meeting milestones.

OBSERVATIONS AND CONCLUSIONS

We concluded that SRO was not adequately managing the grants to Georgia and South Carolina and did not have documentation to support whether or not the grant recipients were on schedule and meeting milestones. Specifically, we found that SRO was not receiving many of the deliverables specified in the grants and was not following up on the delinquent deliverables as required. Furthermore, we determined that SRO did not have a formal system for tracking grant deliverables. The deliverables consist of progress and financial reports that provide performance and financial data for use by SRO officials to assess whether grantee performance is meeting established objectives and taxpayer funds are being appropriately used.

Over the last several years, the OIG has conducted a number of reviews of Department grants where problems have been identified. For example, a September 2001 OIG Office of Audit Services report entitled “Albuquerque Operations Office’s Grant

Administration,” report number DOE/IG-0524, had similar findings regarding the Department’s management of certain grants.

During our inspection fieldwork, we also noted that SRO’s Assistant Manager for Health, Safety, and Technical Support had performed a broad internal assessment pertaining to all SRO grants and had prepared a May 2002 report entitled “Assessment of DOE-SR’s Grant Administration.” The report identified concerns with respect to grant deliverables, as well as with cost sharing and cost sharing validation.

Details of Findings

RECEIPT OF GRANT DELIVERABLES

Our inspection found that a number of deliverables required under the five grants had not been received in a timely manner by SRO officials. Specifically, SRO officials had received only 45 of the 81 required deliverables (56 percent) for the period October 2000 through April 2002.

For example, SRO had not received a number of required financial reports from Georgia. During visits to the grantee offices, the OIG obtained copies of some financial reports. The following are examples of expenditures by the Georgia Department of Natural Resources that had not been submitted to SRO for review:

- Approximately \$12,800 of purchases made during March 2002 using a procurement card.
- The purchase of two new pick-up trucks valued at \$49,600. SRO officials advised us that they were aware from the Georgia Department of Natural Resources budget that the purchase was planned, although at a cost of \$40,000. We noted that SRO paid for the purchase of two trucks despite the grantee only utilizing two employees on a part-time basis to work on SRO activities.
- Real estate rental charges for FY 2002 of \$60,164. The State's program manager told the OIG that the amount for FY 2003 would be reduced to \$16,800 because DOE should only have been charged a prorated share of the lease cost.

In our view, review of the incurred costs associated with the five grants is key to ensuring the appropriateness and allowability of expenditures being paid by the Department. It is unclear to us that the above examples of expenditures are appropriate and allowable.

In another example, the South Carolina Emergency Management Division (SC-EMD) had not obtained required deliverables from subcontractors. SC-EMD contracted with the South Carolina counties of Aiken, Allendale, and Barnwell for work associated with the grant. SC-EMD contractually required that the counties provide quarterly progress reports summarizing the results of accomplishments relative to emergency preparedness and response activities. However, we found that SC-EMD was not ensuring that the counties submitted the reports.

**FOLLOW-UP ON
DELINQUENT
DELIVERABLES**

We also found that SRO officials did not take required follow-up actions regarding delinquent deliverables. DOE Financial Assistance Letter No. 2001-04, "Management of Report Deliverables," states: "When a report has not been received by the terms of the award, the Contracting Officer should contact the recipient by telephone or electronic mail to advise of the delinquency." The Letter further states: "If a report is overdue by 30 days, the Contracting Officer must send a letter to the recipient notifying it of the delinquency and requesting the report. This letter may be sent electronically. The letter must state that, if the report cannot be submitted promptly, the recipient should explain the reason and state the date by which DOE will receive the report."

SRO had not taken written follow-up action, as described above, on any of the grants we reviewed. However, on one grant, SRO program officials sent the Georgia Department of Natural Resources a series of electronic mail messages regarding overdue reports, and the Contracting Officer was copied on two of the messages. We noted that after OIG inspectors visited the two Georgia agencies, SRO received 14 of the delinquent financial report deliverables for FYs 2001 and 2002.

We determined that SRO did not have a formal system in place to track the status of required deliverables, to include having procedures for notifying a grantee when a deliverable was not received in a timely manner. Follow-up actions were sporadic and inconsistent with grant requirements. Two SRO contracting officials stated that these grants were to be used merely as financial assistance instruments; therefore, they felt that the grants could not be held to the same standard as contracts.

RECOMMENDATIONS

Grant deliverables represent the level of performance by the grant recipients, and the Department has an obligation to the taxpayer to ensure that the grantees are performing as intended. Therefore, we recommend that the Manager, Savannah River Operations Office:

1. Follow up and ensure receipt of all currently delinquent deliverables and ensure all incurred costs associated with the grants are reviewed for appropriateness and allowability.
2. Specifically, ensure the Department receives reimbursement for any real estate rental charges for FY 2002 by the Georgia Department of Natural Resources that were in excess of the Department's prorated share of lease costs.

-
3. Develop and implement a system for tracking deliverables and following up on delinquent deliverables in a timely manner, to include establishing a course of action when delinquencies remain unresolved.

**MANAGEMENT
COMMENTS**

On March 11, 2003, the Assistant Secretary for Environmental Management provided written comments on our draft inspection report. The Assistant Secretary's verbatim response and Attachment 1 to her response are included as Appendix B to this report. Management concurred with the report recommendations and identified corrective actions taken or planned. Attachment 2 to the Assistant Secretary's response contained specific comments regarding the facts presented in the report. These comments have been addressed as discussed below.

**INSPECTOR
COMMENTS**

We consider management's comments and actions regarding the findings and recommendations contained in our report to be generally responsive. With respect to recommendation 2, however, management commented that: "The referenced real estate charges were appropriately reimbursed to DOE. Details are documented in the GDNR October – December 2002 Quarterly Cost Report submitted to DOE SR on January 13, 2003." We reviewed the cited Quarterly Cost Report, which indicates that the reimbursement amount was \$13,429 based on the third quarter. We noted that the cited report lacks detail as to how the reimbursement amount was derived, but it gives the impression that only third quarter costs were reviewed. Therefore, we believe SRO management should evaluate the methodology the grantee used to arrive at the reimbursement amount to ensure that all real estate charges for FY 2002 have been appropriately reviewed.

Management made additional comments regarding the content of the draft report. These comments were taken into consideration and changes were made where appropriate to the final report. Based upon management's comments, recommendation 4 in the draft report has not been included in this final report.

Appendix A

SCOPE AND METHODOLOGY

This inspection was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency. We reviewed grant-related activities of the Savannah River Operations Office in Aiken, South Carolina. We reviewed the applicable laws, policies, procedures, and guidelines relevant to grants issued to the States of South Carolina and Georgia for emergency response and law enforcement-related activities. Additionally, the inspection included reviews of memoranda of understanding/agreement with State and/or local agencies, as appropriate. The inspection included visits to the emergency management offices of South Carolina and Georgia and interviews of State officials and Savannah River Site Federal and contractor personnel. Required deliverables were compared against received deliverables. Fieldwork was conducted primarily from May through September 2002.

Appendix B

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United States Government

Department of Energy (DOE)

memorandum

DATE: March 11, 2003

REPLY TO

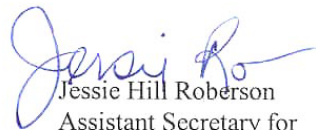
ATTN OF: EM-1 (Kay Rash, 202-586-5420)

SUBJECT: Draft Report on, "Inspection of Savannah River Operations Office Management of Emergency Response and Law Enforcement Related Grants"

TO: Gregory H. Friedman, Inspector General

The subject report was evaluated by the Savannah River Operations Office (SR) in accordance with the memorandum from your office dated January 8, 2003. SR concurs with the four recommendations and has provided details regarding their planned and completed corrective actions in Attachment 1. Comments regarding the accuracy of the facts presented in the report are also included for your consideration in Attachment 2.

If you have any further questions, please call Barbara D. Male at (202) 586-1665 or Kay Rash at (202) 586-5420.



Jessie Hill Roberson
Assistant Secretary for
Environmental Management

2 Attachments:

1. DOE SR Response to OIG Recommendations
2. DOE SR Factual Accuracy Comments

cc w/attachments:

Jeffrey M. Allison, Acting Manager, SR

**U.S. Department of Energy (DOE)
Savannah River Operations Office (SR)
Response to Office of Inspector General (OIG) Recommendations from
Draft Report, “Inspection of Savannah River Operations Office Management of
Emergency Response and Law Enforcement Related Grants” (January 2003)**

Discussed below are the OIG report recommendations and the DOE SR response, including identification of corrective actions taken or planned:

Recommendation 1: Follow up and ensure receipt of all currently delinquent deliverables, and ensure all incurred costs associated with the grants are reviewed for appropriateness and allowability.

Response: Concur. By February 7, 2003, the DOE SR Contracts Management Division (CMD) will request, in writing, overdue deliverables from October 1, 2000, to the present from the appropriate grantees. Upon receipt, SRO program managers will review the costs for appropriateness and consistency with approved budget requests.

Recommendation 2: Specifically, ensure the Department receives reimbursement for any real estate rental charges for FY 2002 by the Georgia Department of Natural Resources that were in excess of the Department’s prorated share of lease costs.

Response: Concur. The referenced real estate charges were appropriately reimbursed to DOE. Details are documented in the GDNR October – December 2002 Quarterly Cost Report submitted to DOE SR on January 13, 2003.

Recommendation 3: Develop and implement a system for tracking deliverables and following up on delinquent deliverables in a timely manner, to include establishing a course of action when delinquencies remain unresolved.

Response: Concur. The DOE SR CMD has obtained an automated grant tracking system developed by the Idaho Operations Office, which will provide efficient tracking of all grant deliverables. The system, which provides for follow-up actions including penalties up to grantee debarment for failure to provide required deliverables, will allow CMD to ensure prompt, formal notification of delinquencies to grantees. The system is anticipated to be operational in March 2003.

Recommendation 4: Ensure all grants established pursuant to the Agreements in Principle guidance issued by the Office of Environmental Management require the submission of deliverables consistent with the guidance, including quarterly reports.

Response: Concur. DOE SR has reviewed the two grants established pursuant to the Agreements in Principle program (DE-FG09-92SR18265 and DE-FG09-93SR18289) and found they contain the mandatory elements to fully comply with program requirements and guidance.

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2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name _____ Date _____

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