

Ms. Mary Kendall
Acting Inspector General
U.S. Department of Interior
1849 C Street, NW; Mil Stop 4428
Washington, DC 20240

April 4, 2013

Re: Request for Audit and Performance Review

Dear Ms. Kendall:

I am writing on behalf of Public Employees for Environmental Responsibility (PEER) to seek your office's review of wasteful government practices which are needlessly disrupting the functioning of a key federal resource agency.

Summary

U.S. Bureau of Reclamation's Klamath Basin Area Office (KBAO) has increasingly transferred work previously performed by in-house scientists within its Water Quality unit out to contractors, principally to the U.S. Geologic Survey (USGS). This expansion of reliance on contracted work has come in lieu of filling vacancies, and in some cases eliminating positions at the Klamath Basin Area Office altogether.

Approximately \$2 million is being dedicated to various USGS offices per year for the next 5 years. This significant growth in contractual reliance has been done:

1. Without the benefit of any cost comparison whatsoever. As a result, KBAO decision-makers admittedly have no basis for ascertaining the cost-effectiveness of using outside resources.
2. USGS contracts provide anywhere from 30 to 50% of contract funds be dedicated to overhead ("indirect costs"). It appears that the work could have been performed in house at substantially lower costs. Additional costs included in direct charges include "facility use" charges that KBAO would not pay if the work was performed in-house.
3. The contracts are drafted in such an open-ended fashion that "we can throw in the kitchen sink," in the words of one researcher.

In order to facilitate this expansion of contracts to it, the USGS extended itself beyond its means and capabilities in staff and equipment to perform the contracted work. For example –

- Reclamation staff had to train USGS staff in the collection of samples;
- In several instances, USGS lacked the equipment or capacity to perform contracted tasks which resulted in the use Reclamation resources without a concomitant rebate or other reduction of contract payments; and
- USGS has had to hire additional staff to handle the increase in work load at costs substantially higher than if Reclamation hired and performed the work in-house.

The actions taken by KBAO management to expand reliance on contract work are needlessly disruptive and imprudent. They appear to be the opposite of “best administrative and management practices” required to “promote the integrity of the Department’s scientific and scholarly activities” as required by Department of Interior manual provisions (305 DM 3.4 J).

We are requesting the Office of Inspector General (OIG) to conduct an audit as well as a performance review of this spike of contracting in order to determine whether these actions –

- Are cost effective relative to in-house performance of the same functions;
- Convey commensurate benefit to Reclamation’s mission; and
- Represent best management practices.

Background

Over the course of the last eight months, KBAO management deliberately created gaps within the Water Quality unit by not filling vacant positions and positions vacated. These actions created false needs and was intentionally done to justify shifting the work to USGS (See ATTACHMENT I, spreadsheet summarizing KBAO contracts in the current fiscal year).

An examination of individual contracts reveals the following:

1. National Water Information System (NWIS) work outsourced to USGS duplicated work already done by Reclamation but at an extravagant cost..
2. Reclamation accepted USGS high overhead rates of nearly 50% of contract costs, well above the in direct costs of performing the same work in house. (See, for example, ATTACHMENT II, Contract R13PG20058).

3. Even some of the direct costs appear to be padded for items such as cell phones and conference registrations (ATTACHMENT III). In the same vein, salary and benefit calculations assume a 4% salary increase each year. Yet, federal employees have had their pay frozen for three years and the cost-of-living adjustment that was proposed but rejected was only 0.05%, not 4%.
4. In a file memo dated February, 19, 2013, Rick Carlson, the Contracting Officer's Representative for KBAO, wrote that no cost comparison were performed or considered, only workload and staff prior to the decision to enter into USGS contracts (ATTACHMENT IV).
5. The contracting agency placed undue reliance on the contractor. For example, repeatedly it was USGS which provided KBAO with the proposed Statement of Work, not the other way around. Similarly, in an October 11, 2012 email, Rick Carlson wrote to Stewart Rounds of USGS that it would be helpful if Stewart would provide him a detailed budget breakdown for the purposes of developing an Independent Government Cost Estimate (ATTACHMENT V).
6. USGS has had to "staff up" to handle Reclamations contractual workload which would have been unnecessary if Reclamation had used its own staff. For example, provisions for Year 1 (FY2012) of contract R13PG20058 allow for the purchase of \$100,000 in equipment – a provision which contradicts statements made in the Economy Act Determination.
7. Additionally, PEER had heard reports that property management procedures at KBAO were bypassed and that large quantities of equipment and supplies has gone "out the door" without property tags and therefore diminished means of tracking.
8. In spite of the above, KBAO management has indicated it seeks to even further expand contract reliance by, for example, dismantling the Fisheries Resource Branch by reassigning the staff scientists to other less needed positions and to outsource the work they were previously doing to USGS (See ATTACHMENT VI). Additionally, we have received reports that KBAO already has outsourced approximately \$650,000 of fisheries related work to USGS in the past year. While we do not possess the financial terms of these contracts, we would expect that they, too, have similar overhead rates and come at substantially higher costs than if the work was kept in-house.

As you know, the Inspector General has a unique role in identifying waste of funds and dysfunctional operations, as well as recommending how agency operations could be improved. We believe that the contracting operations at KBAO would benefit significantly from such a review.

If your office would like to see any additional information supporting this request, please do not hesitate to contact me.

Sincerely,

Jeff Ruch
Executive Director