



OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

AUDIT REPORT

DOE-OIG-24-27

August 2024

**OPPORTUNITIES EXIST TO IMPROVE
BONNEVILLE POWER
ADMINISTRATION'S MANAGEMENT OF
FISH AND WILDLIFE PROGRAM
CONTRACTS**



Department of Energy
Washington, DC 20585

August 30, 2024

**MEMORANDUM FOR THE ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER,
BONNEVILLE POWER ADMINISTRATION**

SUBJECT: Audit Report: *Opportunities Exist to Improve Bonneville Power Administration's Management of Fish and Wildlife Program Contracts*

To mitigate the impacts of the Federal hydroelectric projects on fish and wildlife in the Columbia River Basin, Bonneville Power Administration (BPA) implements hundreds of projects (e.g., restoration/protection, harvest augmentation, and supplementation) through annual contracts and agreements with Federal, state, tribal, and local partners. During our audit, we found weaknesses in BPA's administration of the Fish and Wildlife Program contracts. Specifically, we found instances where invoice reviews lacked supporting documentation to justify the costs incurred; contract tasks were opened for more than a year past the contract end date; and contracts were not always closed out within the required timeframe. Finally, BPA could benefit from conducting periodic self-assessments of its Fish and Wildlife Program.

The attached report contains eight recommendations that, if fully implemented, should help improve BPA's administration of contracts for its Fish and Wildlife Program. Management fully concurred with our recommendations.

We conducted this audit from February 2023 through March 2024, in accordance with generally accepted government auditing standards. We appreciated the cooperation and assistance received during this audit.

A handwritten signature in blue ink, appearing to read "MD", with a long horizontal line extending to the right.

Matthew Dove
Assistant Inspector General
for Audits
Office of Inspector General

cc: Deputy Secretary
Chief of Staff



Department of Energy Office of Inspector General

Opportunities Exist to Improve Bonneville Power Administration's Management of Fish and Wildlife Program Contracts (DOE-OIG-24-27)

WHY THE OIG PERFORMED THIS AUDIT

To mitigate the impacts of the Federal hydroelectric projects on fish and wildlife in the Columbia River Basin, Bonneville Power Administration (BPA) implements hundreds of projects (e.g., restoration/protection, harvest augmentation, and supplementation) through awards to Federal, state, tribal, and local partners.

We initiated this audit to determine whether BPA administered its Fish and Wildlife Program contracts in accordance with applicable terms and conditions and required policies.

What Did the OIG Find?

We found weaknesses in BPA's administration of the Fish and Wildlife Program contracts. Specifically, we found BPA policy does not require contractors to submit documentation to substantiate costs with the invoice, nor does it require reviewing supporting documentation before payment. Contracting Officer Representatives did not ensure that the contract task was properly executed, or the final status report was accurate before acceptance. Additionally, the final status reports we reviewed did not always include sufficient details to determine the final disposition of the open tasks, some of which remained opened for more than a year past the contract end date. Further Contracting Officers did not ensure contracts were closed out within the required timeframe.

What Is the Impact?

BPA's current invoicing review practice can lead to BPA approving invoices for payment without verifying supporting documentation. This increases the risks that BPA could make improper payments and increases the likelihood of undetected fraud, waste, and abuse.

Without effectively monitoring the open tasks, BPA cannot ensure that it is only paying the contractors for the work performed. Finally, failing to close out contracts timely can lead to unused fund balances being obligated for extended periods.

What Is the Path Forward?

To address the issues identified in this report, we have made eight recommendations that, if fully implemented, should help improve BPA's contract administration.

BACKGROUND

The Bonneville Power Administration (BPA) is a Federal power marketing administration based in the Pacific Northwest. The Federal Columbia River Transmission System Act provides BPA with self-financing authority and establishes the BPA fund, which allows BPA to use its revenues from electric power and transmission ratepayers to fund all programs without further appropriation. BPA sells the electric power produced from 31 Federal hydroelectric projects (i.e., dams) in the Northwest, one non-Federal nuclear plant, and several small non-Federal power plants. As a result, BPA does not depend on annual appropriations from Congress to fund its operations. In addition, BPA has authority to borrow from the U.S. Treasury under the Transmission Act and the Pacific Northwest Electric Power Planning and Conservation Act. Authority to borrow from the U.S. Treasury is available to BPA on a permanent, revolving basis.

As required by the Pacific Northwest Electric Power Planning and Conservation Act, the Endangered Species Act, and biological opinions issued by the National Marine Fisheries Service and U.S. Fish and Wildlife Service, BPA's Fish and Wildlife Program (Program) is responsible for protecting, mitigating, and enhancing fish and wildlife to the extent affected by the development and operation of Federal hydroelectric projects in the Columbia River Basin. To mitigate the impacts of the Federal hydroelectric projects, BPA implements hundreds of projects (e.g., restoration/protection, harvest augmentation, and supplementation) across the Columbia River Basin through annual contracts and agreements with Federal, state, tribal, and local partners. BPA has the ultimate responsibility for ensuring that revenues collected from ratepayers are used for goods delivered and services performed by the contractors.

During the last 10 fiscal years (FY), Program expenditures totaled approximately \$2.7 billion, which are summarized in Table 1:

Table 1: Program Expenditures

FY	Expenditures
2014	\$269,134,000
2015	\$279,550,000
2016	\$274,172,000
2017	\$259,958,000
2018	\$277,932,000
2019	\$250,194,000
2020	\$265,784,000
2021	\$282,470,000
2022	\$251,090,000
2023	\$260,694,000
Total	\$2,670,978,000

The Program uses CBFish¹ to administer all Columbia River Basin projects and related contracts funded by BPA through all stages of their lifecycle—contract development, budgeting, contract implementation, invoicing, and progress reporting. For example, quarterly status reports and final reports are entered by the contractor in CBFish and then reviewed by the Contracting Officer Representative (COR).

In awarding and managing its contracts, BPA is exempt from following the Federal Acquisition Regulation, the Department of Energy Acquisition Regulation, and 2 Code of Federal Regulations 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Instead, BPA follows its own purchasing and financial assistance instructions, which are owned and updated by the Head of the Contracting Activity (HCA). Therefore, we used the Bonneville Purchasing Instructions (BPI) for our audit of contracts, Intergovernmental Contracts (IGCs), and Interagency Agreements (IAAs) to evaluate BPA's procurement of supplies and services. Additionally, for our audit of financial assistance agreements (i.e., grant agreements and cooperative agreements), we used the Bonneville Financial Assistance Instructions (BFAI).

We initiated this audit to determine whether BPA administered its Program contracts in accordance with applicable terms and conditions and required policies.

ADMINISTRATION OF CONTRACTS

During our audit, nothing came to our attention to indicate that BPA was not meeting the purposes of its Program. However, opportunities exist to strengthen its administration of contracts². Specifically, we found BPA did not always administer Program contracts in accordance with applicable terms and conditions and required BPA policies. Of the 1,652 contracts that were active in FY 2020, FY 2021, or FY 2022, we judgmentally selected a sample of 65 based on such factors as dollar value and project diversity, varied recipients, and project emphasis. Of the 65 contracts in our sample, we reviewed 60.³ Additionally, we reviewed invoices for 6 of the 60 contracts. We reviewed a total of 102 invoices associated with these contracts. Due to the number of issues identified, we concluded that reviewing invoices for six contracts was sufficient to draw conclusions regarding BPA's internal controls over invoice payment review processes.

Our audit identified: (1) weak internal controls over the invoice review process; (2) contract tasks that remained open for more than a year past the period of performance end date; and (3) contracts that were not closed within the required timeframe. We also found that BPA does not conduct periodic self-assessments of its Program to ensure compliance with applicable requirements nor provide opportunities for continuous improvement of the Program.

¹ An electronic database and software program.

² Except in specific situations, the term "contract" is used in this report as a general term and includes contracts, IGCs, IAAs, and financial assistance agreements.

³ There were no documents to review for the remaining five awards—three were administrative awards set up for utility payments or reimbursement of power costs, and two were not issued at the time of our audit.

Weak Internal Controls Over Invoice Review Process

Our audit identified weak internal controls over the review of invoices. The current design of internal controls and policies does not always ensure that contractors⁴ submit supporting documentation with the invoice to substantiate costs. Specifically, the invoices we reviewed did not always include adequate supporting documentation necessary for us to independently determine whether costs were allowable, allocable, and reasonable. Instead, the invoices from four cost reimbursement IGCs⁵ were primarily supported by documents (e.g., trial balance, general ledger, or other reports) from each contractor's financial system rather than actual supporting documentation for the costs incurred. For example:

- Contract #1 - Support for 7 of the 11 invoices included only a Detailed Trial Balance and Budget Status report from the General Ledger. For the remaining four invoices, the support also included the subcontractor's Pay Estimate or invoice, but no support was provided to validate the values.
- Contract #2 - Support for 13 invoices only included a printout from the General Ledger for the timeframe.
- Contract #3 - Job Budget Status by Contract Detail reports that supported fifteen invoices did not always include a description or quantity of products/services as required by the contract terms and conditions. Additionally, the Master Agreement required that lodging and other travel expenses exceeding \$75 must be supported with receipts, which were to be submitted with the request for payment. We found travel costs totaling \$26,867 that did not have the required documentation. According to BPA officials, travel receipts are not required to be submitted with the invoice. The officials stated that the Contracting Officer's (CO) interpretation of this clause is that it directs the employees of the contractor to submit receipts to their employers.
- Contract #4 - Fourteen invoices were only supported by the contractor's Current Grant Expenditure Details report and, where applicable, a payroll report. We were unable to determine if the employees' salaries/wages were in accordance with the contract terms because the Payroll Report identified the total earnings for each employee for the month (e.g., pay period ending October 31, 2021) but not the total hours and pay rate. Additionally, in 4 of the 14 invoices, the payroll report total did not match the Current Grant Expenditure Details report.

Additionally, invoices from two time and materials contracts⁶ did not always include adequate documentation. Costs that were supported disclosed expenditures inconsistent with the contract terms. For example:

⁴ The term "contractor" is used in this report as a general term and includes contractors (for contracts and IGCs) and projects sponsors (for IAAs and financial assistance agreements).

⁵ Our sample contained the 30 cost reimbursement IGCs, but we only reviewed invoices from 4 IGCs.

⁶ Our sample contained three time and materials contracts, but we only reviewed invoices from two contracts.

- Contract #5 - Monthly invoices included, among other costs, the contractor's itemized invoices (i.e., the contractor prepared and submitted invoices to itself) for materials totaling \$240,384 with no support, \$138,299 of which had order and ship dates that were after the contract end date. The contract included Clause 28-4.2, *Payment – Time and Materials/Labor Hour* (FEB 2020), which states that if the contractor furnishes materials that meet the definition of a commercial item, the price to be paid for such materials shall not exceed the contractor's established catalog or market price, adjusted to reflect the quantities acquired and any modifications necessary because of contract requirements. However, there was no documentation to substantiate that the contractor paid for the materials, and there was no contractor-established catalog price. Additionally, in one invoice, the contractor over billed BPA by \$41.25 because the meals and incidental expenses rate was not reduced to 75 percent on the last day of the employee's travel, as required by the contract. As a result, we questioned \$41.25.
- Contract #6 - Overhead fees on travel costs, incorrect labor rates, and invoices that did not contain required information. One invoice included an overhead fee of \$256.81 on travel costs. According to BPA, overhead does not apply to recipient travel costs. In another invoice, the awardee incorrectly charged the labor rate for one employee, which resulted in over charging BPA by \$880. Finally, we noted four invoices that did not include the details required by contract Clause 28-3, *Invoice* (OCT 2014), which states that an invoice must include the invoice date and number; the description, quantity, unit of measure, unit price, and the extended price of the items delivered; and other information. After our inquiry, BPA requested and received the subcontractors' invoices and supporting documentation. We questioned costs totaling \$1,136.81 that included \$256.81 for an overhead fee on travel costs and \$880 for an overpayment to the contractor.

This situation occurred, in part, because contractors were not required to submit documentation to substantiate the costs with the invoice; CORs were not required or expected to review supporting documentation; BPA placed too much reliance on the Single Audit Act; and COs and CORs needed further training on their responsibilities in the invoice review process. For example:

- BPA policy does not require supporting documentation to be submitted with the invoice. For example, for the IGC invoices, supporting documentation is only required to describe items in "reasonable detail" such as description of products delivered or work performed, as well as price and quantity of items delivered or rendered. For the time and materials contracts, the terms and conditions of the contracts state that the invoice must include: (1) the description, quantity, unit of measure, unit price and extended price of the items delivered, and (2) shipping number and date of shipment, including the bill of lading number and weight of shipment if shipped on a Government bill of lading.
- Per the BPI, *Appendix 14*, CORs are not required or expected to review supporting documentation. The BPI allows the COR flexibility in requiring the contractor to submit supporting documentation because BPI used the term "should" instead of "shall" or "must." Specifically, the BPI, *Appendix 14*, states that for cost-reimbursement contract

invoices, the COR should review the reasonableness, allowability, and allocability of costs claimed for reimbursement. The COR should also assure that the contractor submits adequate documentation of costs as required in the contract. The BPI, *Appendix 14*, also states that time and material contract invoice reviews are substantially the same as for the cost-reimbursement contracts except that only the number of hours billed need to be reviewed for reasonableness and compared to the progress of the project. During our invoice review, when we inquired why supporting documentation was not provided, BPA stated recipients are not required to provide supporting documentation with the invoice, but the recipient is required to maintain that support for up to 7 years after contract expiration.

- BPA places too much reliance on the Single Audit Act and asserts that Federal funding agencies are not responsible for asking for the same level of documentation requested during the Single Audit. According to a BPA Subject Matter Expert, the Single Audit Act aims to streamline the auditing process so that contract recipients conduct a single, annual audit instead of conducting multiple audits of individual programs. The Subject Matter Expert further stated that requiring and reviewing the backup information (e.g., receipts, timesheets, etc.) to support the contractor's expenditure summary would be the equivalent of conducting an audit. However, as a steward of the ratepayers' funds, BPA has the ultimate responsibility for ensuring that invoices are properly reviewed and analyzed, and that BPA makes payments to contractors only for goods and services delivered and accepted pursuant to contractual terms and conditions. Requiring submission of adequate documentation that supports the amounts invoiced is not considered an audit; rather, it is one of the fundamental oversight activities in the administration of the contract to protect the interests of ratepayers.
- Program officials stated that the weaknesses we identified indicate that the COs and the CORs need further training on their responsibilities. After we discussed our preliminary findings regarding the invoice review process, Program officials stated they will refine their systematic training plan to ensure an effective and adequate learning framework. We were also told that Program Leadership is beginning with an initial assessment to identify the most immediate training emphasis and will build on that assessment to compile an ongoing training schedule that ensures staff receive the development and training they need.

Provisions of cost-reimbursement contracts obligate BPA to pay the contractor the allowable, reasonable, and allocable costs of performing the contract. However, insufficient information supporting the invoiced amount does not provide BPA with the information necessary to ensure that the costs are allowable, reasonable, and allocable. Without proper verification of costs incurred, BPA would not be able to verify that the contractor spent funds in accordance with the contract terms and conditions. Although we did not review every invoice for each contract in our sample, the number of invoices with issues illustrates that improvements are needed in BPA's internal controls over invoice payment review processes. As discussed above, we reviewed

supporting documentation that was included with the invoices and found deficiencies including overpayments made to the contractors. We also found the contractor's support for payroll information was inconsistent with the invoiced amount. However, BPA did not investigate the inconsistencies nor request that the contractor provide additional information until after we inquired about the issue.

We recognize that contractors are not required to provide documentation supporting invoices unless BPA requests the information. We also recognize that it may not be practical to obtain and review supporting documents for every invoice. However, we encourage BPA to improve its overall approach to reviewing invoices (e.g., performing spot-checks by requesting the contractor provide supporting documentation, conducting periodic post-payment invoice reviews based on risks, etc.) to ensure that billed costs are allowable, reasonable, and allocable. Establishing and maintaining effective internal controls over invoice review processes serves as the first line of defense in safeguarding ratepayers' funds and preventing and detecting errors and fraud.

Tasks That Remain Open for More Than a Year from Contract End Date

Of the 60 contracts we reviewed, we identified 12 that were expired more than a year and still had 59 tasks containing 212 milestones that remained open. The contractors' statements of work generated in CBFish have categorized tasks, each of which has a title and a description. Important milestones for each task have projected start and end dates. According to BPA officials, many contracts require the contractor to submit an annual progress report describing project schedules as well as quarterly status reports in which the contractor identifies any task and milestones that may be behind schedule. BPA officials further stated that CORs track milestones in each contract with scheduled deliverables by reviewing these progress reports. In addition to these reports, CORs conduct regular outreach to project contractors to verify and monitor project progress, including site visits, phone calls, and other methods. BPA officials also stated that information collected from these efforts are documented in CBFish. We reviewed the Statement of Work Report and final status report in CBFish for each of the 12 contracts and inquired about the 212 milestones that were still active at the time of our review. Given the large number of active milestones, we only validated a few of the respective COR rationales and noted the following issues:

- In one contract with open tasks, the COR stated that invoices indicate the work was never charged to the contract. We were unable to verify if work was not charged because, while not a requirement for these specific invoices and for other contracts we reviewed, we did not see invoices that were broken down by task or milestone, but rather an accounting of all expenses during the month.
- In another contract with open tasks, the contractor was to submit reports such as the Site Audit and Recommendation Report, the In-stream Passive Integrated Transponder Tag Detection System Operations and Maintenance Annual Report, and other reports in 2021. The COR initially told us the reports had been submitted in a subsequent contract to the same contractor. To validate the COR's statement, we reviewed the reports in CBFish for the subsequent contract and noted no reports were submitted for our sample contract.

The COR later acknowledged that the reports had not been submitted and asked the contractor for the 2021 In-stream Passive Integrated Transponder Tag Detection System Operations and Maintenance Annual Report, which was not prepared until after our inquiry.

- In one of the contracts with open tasks, we found that the final status report did not include two tasks, which were not discovered by the CO or the COR.

BPA officials stated that the best-effort nature of these types of cost-reimbursable contracts inherently recognizes that not all tasks will likely be completed, especially for contracts with many different components. BPA officials further stated that it is customary for some tasks to remain open when the task work was not completed. The final disposition of the tasks is determined after the COR reviews and accepts the information (e.g., contractor’s justification for incomplete task) provided in the final status report. However, we identified the need to improve BPA’s oversight and monitoring of the contracts to ensure that the contractual requirements are being met. Specifically, while BPA has processes for monitoring the contracts, such as reviewing progress reports and conducting site visits, CORs did not ensure that the contract task was properly executed, or the final status report was accurate before accepting the report. Additionally, the final status reports we reviewed did not always include sufficient details (e.g., “report update is underway” as the task disposition) for us to determine the final disposition of the open tasks. Regarding the invoiced amount not linking to a task or milestone, Program officials stated that the task budget estimate was developed to link the statement of work and the line-item budget, but there is variation across sponsors when it comes to the methodology used to develop the task budget estimates. We were told that BPA is currently assessing ways to ensure a more consistent approach to developing a task budget estimate and other improvements that will accurately capture the cost of each task.

Additionally, BPA currently does not have a tool to look at the data programmatically and detect anomalies. CBFish has tools to track work, not only what was completed, but a trajectory for each task being accomplished by each contract. However, we saw no evidence of a summary report (e.g., aging report for active tasks in expired contracts) in CBFish to track open tasks and milestones for all active contracts. We also noted that when the contract performance period ends, a subsequent contract becomes active while the tasks in the previous contract are also marked active. Program officials agreed that there are process improvements that could be made to record work element status more accurately, especially for work elements that are continued into future contracts. Program officials also stated that, in addition to developing process improvements, they will also develop reports to track overall contractor performance.

Contracts Not Closed Out Within Required Timeframe

BPA policies require that contracts be closed out within defined timeframes to ensure that remaining funds are made available for other Program projects. However, we determined that, as of May 1, 2023, 16 of the 60 contracts reviewed⁷ were not closed out within the required timeframes. See Table 2. The remaining funds on these contracts totaled \$12,940,840. BPA officials told us that of the 60 contractual instruments reviewed, 37 percent were for Columbia

⁷ There were 1,652 Program contracts that were active in FY 2020, FY 2021, or FY 2022.

Basin Fish Accords, which allow unspent funds to be carried over into future years of the agreements (i.e., as final invoices are received and expired contracts are closed, the unspent funds become available again for the Accord party’s mitigation projects).

Table 2: Contracts Not Closed Within Time Standards

Award Type	Contracts Reviewed	BPA Standards for Closeout	Contracts Not Closed Within Time Standards	Remaining Funds on Contracts
Contracts and IGC	38	12 Months	11	\$12,919,058
IAs	5	12 Months	3	\$1,636
Financial Assistance Agreements	17	15 Months	2	\$20,146
Total	60		16	\$12,940,840

Specifically, our review identified:

- Of the 38 contracts and IGCs we reviewed, 11 were not closed within 12 months after the end of the period of performance. The BPI 4.4.4(a)-(b), *Close-out of Contracts*, states that commercial transactions shall be considered completed and closed upon final receipt of supplies or services and final payment. All other contract files shall be closed as soon as practicable, no later than 12 months from when the performance period expires. These closeout actions may be modified to reflect the extent of administration that has been performed. BPA can begin the closeout process upon issuance of the final payment and verification that the contract file is complete. On a closed contract, the remaining balance, after all invoices are paid, is de-obligated from the contract. However, as of May 1, 2023, the number of days that the 11 contracts and IGCs remained open, beyond the 12 months after the performance period end date, ranged from 1 to 761 days. The remaining funds on the 11 contracts totaled \$12,919,058.
- Of the five IAs we reviewed, three were not closed out within 12 months from the end of the performance period. The BPI does not provide guidance on closing out IAs. According to BPA, COs will generally follow the closeout policy for contracts outlined in the BPI, which is 12 months. However, we identified three IAs that were not closed out within 12 months after the end date of the period of performance. As of May 1, 2023, the number of elapsed days that the three IAs remained open, beyond the 12 months after the performance period end date, ranged from 90 to 182 days. The remaining funds for the three IAs totaled \$1,636.
- Of the 17 financial assistance agreements reviewed, 2 were not closed out in accordance with BPA’s policies. Specifically, BFAI 4.343(a), *Closeout*, requires that the non-Federal entity must submit, no later than 90 calendar days after the end date of the period

of performance, all financial, performance, and other reports as required by the terms and conditions of the financial assistance agreement. Additionally, BFAI 4.343(g), *Closeout*, states that BPA or the pass-through entity should complete all closeout actions for financial assistance agreements no later than 1 year after receipt and acceptance of all required final reports. Based on BFAI 4.343, *Closeout*, we used 15 months from the period of performance end date to measure timeliness of closing out IAAs. However, as of May 1, 2023, the number of elapsed days the two financial assistance agreements remained open, beyond the 15 months after the end date of the period of performance, were 31 days for one agreement and 396 days for the other agreement. The remaining funds on the two financial assistance agreements totaled \$20,146.

As of June 2024, 4 of the 16 contracts have not been closed. In addition, we identified three⁸ additional contracts requiring closeout as of June 2024 that have not been closed. The remaining funds on these seven contracts totaled \$19,490,889.

BPA officials stated that delays in closing out contracts was due to various reasons such as the lack of staffing to close out contracts and the delay in final invoice submittals. Additionally, BPA does not have specific policies for closing out IAAs, and its policy for closing financial assistance agreements provides flexibility as to when the agreements must be closed.

- A Supervisory Contract Specialist stated that additional resources are needed to close out contracts in a timely manner. The Supervisory Contract Specialist also stated that the eight COs on the Portland team within the Environment, Fish and Wildlife & Commodity Investment are responsible for issuing the Program’s contracting actions; each CO awards approximately 100 contracting actions per year. The Supervisory Contract Specialist stated that COs do not always prioritize contract closeouts because they have an extensive workload and tend to prioritize pre-award activities, focusing less on closing out contracts. The Supervisory Contract Specialist acknowledged that there is a backlog of contracts waiting to be closed, and additional resources are needed to close out contracts in a timely manner.
- While the HCA agreed that the lack of resources is a major challenge for completing contract closeout in a timely manner, we did not verify the assertion that the contracting organization was not adequately staffed. However, the HCA asserted that COs must prioritize pre-award activities to ensure that new contracts are executed each year to support BPA operations and modernization, among other things, with the funding allocated that year. It is this core support (pre-award/award) that ensures BPA’s annual projects and program goals are met each FY.
- Supervisory Contract Specialists claimed that delays in final invoice submittal contributed to the delays in closing the contracts when the performance period ended. In fact, BPA officials told us that 55 of the 60 contracts we reviewed remained open beyond the expiration due to delays in obtaining the final invoices from contractors. Supervisory Contract Specialists also stated that some contractors do not always submit the final invoices on time, and the average late submittal is 606 days. Supervisory Contract

⁸ The three contracts were not eligible for closeout during the May 2023 review.

Specialists speculated that some contractors are hesitant to close out contracts because they think that they will lose access to any remaining contract funds. BPA officials told us that letters have been issued to contractors with late invoices to close out the open contracts. A Supervisory Contract Specialist claimed that there is not much that can be done when the contractors do not invoice in a timely manner and stated that the best solution is to work with the contractors to comply with BPA's invoicing requirements.

- We were told that, in 2017, BPA switched to financial assistance agreements as the primary procurement instruments, and regardless of procurement instrument (e.g., IGCs and financial assistance agreements), the funding structure is cost reimbursement for best effort. In addition, BPA stated that the nature of cost reimbursable agreements requires BPA to pay out any invoices if the invoices are submitted with allowable costs, even if a contract is closed. BPA often elects to have contracts remain in issued status (i.e., open) to avoid the amount of work required to reopen contracts although BPA determined it had received the final invoice. We were told that, in March 2023, BPA started asking for a Release of Claims and will continue to do this going forward to avoid future backlogs from developing. BPA explained that obtaining a Release of Claims from the contractors terminates BPA's obligations for late-billed expenditures.

BPA does not have specific policies for closing out IAAs. In addition, its policies for closing out financial assistance agreements allow flexibility as to when the agreements must be closed and contain inconsistent timeline requirements.

Program officials stated that IAAs are issued under the BPI, but there is no specific policy to close out IAAs. According to the HCA, IAAs are a relatively new addition in the policy, and explicit language regarding contract closeout was not expressly written. The HCA stated that BPA will both evaluate the IAA policy as it relates to other types of contract closeout policy language and update the IAA section to expressly state what closeout timeframe will be required. Without establishing a finite timeframe, BPA has an increased risk of not closing IAAs that have been expired for more than 1 year from the performance period end date, leaving unused fund balances obligated for extended periods.

For financial assistance awards, the BFAI, effective in July 2021, allows flexibility for when to close the awards. Specifically, BFAI 4.343, *Closeout*, states, "BPA or the pass-through entity will close-out the financial assistance award when it determines that all applicable administrative actions and all required work of the financial assistance award have been completed by the non-Federal entity." Additionally, BFAI 4.343(g), *Closeout*, states, "BPA or the pass-through entity should complete all closeout actions for financial assistance awards no later than one year after receipt and acceptance of all required final reports." However, according to the HCA, the term "should" in the BPI and the BFAI does not have the same weight as "must, shall, or will" and is considered a best practice rather than a requirement.

Additionally, the timeline requirements set forth in BFAI 4.343, *Closeout*, is inconsistent with BFAI Clause 46, *Closeout*. Specifically, Clause 46, *Closeout*, states, "If the non-Federal entity does not submit all reports in accordance with this section and the terms and conditions of the Federal Award, the Federal awarding agency must proceed to close out with the information

available within one year of the period of performance end date.” According to the HCA, when the BFAI was rewritten in 2017–2018, it was focused on tailoring the updated 2 Code of Federal Regulations 200 to several sections of BPA policy. The HCA admitted that the inconsistencies in policy with respect to closeout timeframes have not been reviewed and stated BPA will evaluate the overall contract closeout requirements in the BPI and the BFAI and make any necessary changes. The HCA stated that since BPA does not have an annual appropriation—just borrowing authority—contract closeouts to de-obligate funds and return them to the Treasury to free up prior year funds does not apply at BPA, so the emphasis (i.e., priority) on closeouts is low. That is, BPA does not rely on these obligated monies to fund current or prior year projects. However, we should note that failing to close out contracts in a timely manner can lead to unused fund balances being obligated for extended periods. Finally, the HCA stated that complete contract lifecycle management through the closeout stage is important, and BPA will work to evaluate both the closeout timeframe standard and the overall strategy to ensure closeouts are completed per policy.

Other Matters

BPA should consider implementing a continuous improvement mechanism, such as a structured self-assessment process, to improve the effectiveness and efficiency of BPA’s oversight of the Program. In November 2018, BPA’s Office of Risk Management issued an assessment report on *Governance Structure Assessment: Environmental, Fish & Wildlife*. The assessment evaluated BPA’s existing policies, procedures, and controls related to the Program and was intended to provide the BPA Administrator reasonable assurance that BPA is meeting its statutorily mandated mission through disciplined decision making, effective execution and administration of contracts within budget constraints, and efficient compliance with laws and regulations. The November 2018 assessment resulted in the development and implementation of corrective actions to address the recommendations identified in the assessment. However, BPA had not conducted another assessment since 2018 to ensure that actions taken by management had corrected the problem. Our review identified that a number of the problems identified in the 2018 assessment persist, which would indicate that corrective actions taken as a result of the 2018 assessment may not have been adequate to correct the problems identified. Performance and quality improvements require thorough, rigorous assessments and effective corrective actions. Conducting periodic self-assessments can add value to the Program by providing feedback and linking management and conduct of work to meaningful improvement actions.

IMPROVEMENTS NEEDED IN ADMINISTERING CONTRACTS

By not closing the contracts and agreements in a timely manner, the \$19,490,889 in obligated funds cannot be used for other requirements until BPA closes the seven contracts and agreements and de-obligates the funds. Without properly reviewing the invoices (e.g., labor hours are billed at appropriate rates; required items have been delivered and/or the required services performed; and all other direct costs are properly substantiated and consistent with the contract requirements), BPA is vulnerable to making improper payments, which increases the risk that fraud could occur and remain undetected. Without effectively monitoring the open tasks, BPA cannot ensure that it is only paying the contractors for the work performed; BPA cannot properly

identify which tasks and milestones should be included in subsequent contracts; and BPA risks not including tasks that must be completed. Finally, timely closeout of contracts would allow BPA efficient use of ratepayers' funds and more effective implementation of the Program.

RECOMMENDATIONS

We recommend that the Administrator and Chief Executive Officer, BPA, direct the Executive Vice President, Environment, Fish and Wildlife, to ensure effective administration of contracts by:

1. Developing a tool to analyze the data in CBFish and identifying potential issues.

We recommend that the Administrator and Chief Executive Officer, BPA, direct the Chief Supply Chain Officer to ensure effective administration of contracts by:

2. Identifying the optimal size of the CO workforce to ensure that it is appropriate for the workload distribution;
3. Reviewing the seven contracts that remain open as identified in the report, along with the expired contracts and agreements not included in our sample, and addressing the issues resulting in delayed closeout; and
4. Developing and implementing additional processes and controls to strengthen BPA's oversight and monitoring of contracts such as training, tracking task status more accurately, and documenting justification for final disposition of task.

We recommend that the Administrator and Chief Executive Officer, BPA, direct the HCA to ensure effective administration of contracts by:

5. Updating BPA's policies and procedures to include a process for closing out IAAs and to establish specific closeout timeframes;
6. Evaluating the current design and operating effectiveness of the invoicing practices and revising, developing, or implementing a policy to strengthen and improve BPA's overall approach to reviewing invoices; and
7. Considering the use of a structured, documented self-assessment process to ensure compliance with applicable requirements and continuous improvement of the Program.

We recommend that the Administrator and Chief Executive Officer, BPA, direct the CO to ensure effective administration of contracts by:

8. Making a determination regarding the allowability of questioned costs identified in this report, recovering those amounts determined to be unallowable, and determining whether additional steps are needed to validate the allowability of costs associated with issues identified during our invoice review.

MANAGEMENT RESPONSE

Management fully concurred with our recommendations and identified corrective actions to improve the effectiveness of the award administration, monitoring, and closeout. BPA officials stated that several corrective actions were completed in the CBFish system, and other corrective measures are in progress. The updates to CBFish will improve management visibility into the contract status. In addition, estimated additional staff costs were included in the current Integrated Program Review to identify the optimal size of the CO workforce. Further, BPA is undertaking a comprehensive communication plan to formally solicit final invoices from awardees with expired awards or other existing invoice delays. Also, BPA intends to identify improvements in quality controls, procedures, training, or other gaps to increase effectiveness and to ensure accountability, clear expectations, and guidelines are documented for both BPA staff and awardees. BPA will also evaluate the invoice review function by performing a scheduled review of payment support and compliance with requirements. Additionally, Internal Audit will include future fish and wildlife audits during its annual planning, and reviews of contract administration will continue to be conducted as determined by the Administrator, Internal Audit, and HCA. Finally, BPA agreed that the identified costs were unallowable and will recover the costs of the three specific invoices totaling \$1,178.06. All corrective actions are expected to be completed by July 31, 2025.

BPA reports to have completed the corrective action for Recommendation 5 by having the HCA incorporate language into the BPI establishing closeout timeframes and identifying a process for closing out interagency agreements.

Management comments are included in Appendix 3.

AUDITOR COMMENTS

Management's comments and corrective actions are responsive to our recommendations.

Appendix 1: Objective, Scope, and Methodology

OBJECTIVE

We initiated this audit to determine whether the Bonneville Power Administration (BPA) administered its Fish and Wildlife Program (Program) contracts in accordance with applicable terms and conditions and required policies.

SCOPE

The audit was performed from February 2023 through March 2024 and covered Program contracts from fiscal year 2020 through fiscal year 2022. The information was primarily obtained via remote access techniques. The audit was conducted under Office of Inspector General project number A23LV001.

METHODOLOGY

To accomplish our audit objective, we:

- Reviewed Federal, Department of Energy, and specific policies and procedures related to Program contracts.
- Obtained a list of contracts funded during the scope period, which consisted of 1,652 contracts, Interagency Agreements, intergovernmental contracts, and financial assistance agreements. We separated this data into four universes by recipient type (Federal Government; educational institutions, state and local governments, non-profit organizations, and utility organizations; tribal organizations; and private organizations and others. We then judgmentally selected a total sample of 65 contracts from the 4 universes to test whether BPA followed its purchasing instructions and the contract terms and conditions. Of the 65 contracts, we tested 60. There was no document to review for the remaining five contracts—three were administrative contracts set up for utility payments or reimbursement of power costs, and two were not issued at the time of our review. For both procurement contracts and financial assistance agreements, we reviewed the available documentation and compared it to the requirements set in BPA policy. Sample selection was based on such factors as dollar value and project diversity, varied recipients, and project emphasis. Because judgmental sampling of contracts was used, results are limited to the contracts selected.
- Judgmentally selected and reviewed invoices for 6 of 60 contracts. Sample selection was based on the type of contract. Specifically, we selected four cost-reimbursement intergovernmental contracts and two time and material contracts. Because judgmental sampling of contracts was used, results are limited to the contracts selected.
- Interviewed BPA officials to identify how the Program functions, their roles in the processes, and how BPA policies govern the various contract types.
- Reviewed the Statement of Work in CBFish for each contract in our sample that had expired by more than 12 months.

Appendix 1: Objective, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the internal control components of control environment, control activities, and monitoring, and we assessed the underlying principles of: (1) establish structure, responsibility, and authority; (2) design control activities; and (3) perform monitoring activities. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

To assess the reliability of the list of contracts needed to answer the audit objectives, we: (1) traced a sample of contracts to the source documents; (2) reviewed related documentation; and (3) interviewed BPA officials knowledgeable about the list of contracts. We determined that the list of contracts was sufficiently reliable for an analysis of expired contracts that were not closed in a timely manner. We also determined that CBFish data was sufficiently reliable for the purpose of providing the status of the tasks for each expired contract in our sample. However, we also noted a limitation in CBFish, as identified in the report, and made a recommendation designed to improve the monitoring of the data in CBFish.

Management officials waived an exit conference on August 2, 2024.

Appendix 2: Prior Reports

- Special Report on [*Allegations Regarding Information Technology Procurement at Bonneville Power Administration*](#) (DOE/IG-0943, August 2015). This audit found that Bonneville Power Administration (BPA) spent about \$5.2 million for the acquisition of a hiring system that did not meet its needs. The audit noted the following significant weaknesses with system planning, acquisition, and contract administration:
 - BPA’s hiring system contract was poorly constructed and did not comply with its own Bonneville Purchasing Instructions.
 - BPA did not ensure that 28 of 36 mandatory contract clauses required by its Purchasing Instructions were adequately included in the contract.
 - Although specifically required, a total cost analysis was not adequately conducted for the hiring system procurement.
 - BPA did not fully consider past vendor performance during the procurement process.
 - BPA did not enforce several requirements of the hiring system contract.
 - The planning and approval processes for the hiring system were inadequate and, in some cases, incomplete.

These conditions occurred, in large part, due to the accelerated planning, development, and deployment approach used by BPA for this project. Other contributing factors included a lack of adequate due diligence and accountability on the part of key personnel responsible for acquisition and monitoring of the hiring system, as well as insufficient involvement of BPA’s Information Technology Project Management Office. Finally, the audit noted that BPA failed to apply lessons learned from a previous information technology system failure, leading to the repeat of past mistakes.

- Special Report on [*Prospective Considerations for Projects Awarded Through Financial Assistance Awards*](#) (DOE-OIG-22-40, August 2022). This capstone report summarizes historic reports that may serve to improve internal controls to help prevent fraud, waste, and abuse as the Department of Energy launches its Infrastructure Investment and Jobs Act and other appropriations-funded projects distributed through financial assistance awards. The report identifies six major risk areas that warrant immediate attention from Department leadership to prevent similar problems from recurring. These six areas include: recipient fraud, insufficient Federal staffing, inadequate oversight of projects, circumvention of project controls, inadequate internal controls, and lack of recipient-level controls. The report also identifies several prospective considerations to help mitigate risk associated with financial assistance awards: setting aside sufficient resources for Federal staffing, developing comprehensive policies and procedures, and building strong internal controls to ensure that the Government and taxpayers are adequately protected.

Appendix 3: Management Comments



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Official File

EXECUTIVE OFFICE

July 31, 2024

In reply refer to: A-7

MEMORANDUM FOR: TERI L. DONALDSON
INSPECTOR GENERAL

FROM: JOHN L. HAIRSTON
ADMINISTRATOR AND CHIEF EXECUTIVE OFFICER

SUBJECT: THE BONNEVILLE POWER ADMINISTRATION'S RESPONSE TO THE
OFFICE OF INSPECTOR GENERAL'S DRAFT AUDIT REPORT ON THE
BONNEVILLE POWER ADMINISTRATION FISH AND WILDLIFE
PROGRAM (A23LV001)

Thank you for the opportunity to comment on the report: *Draft Audit Report on Opportunities Exist to Improve Bonneville Power Administration's Management of Fish & Wildlife Program Contracts*.

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the Office of Inspector General's (OIG) draft audit report. We further appreciate the diligence with which OIG staff reviewed BPA's Fish and Wildlife Program. Improving the timeliness and efficiency of our award closeouts is a priority for BPA, and we agree with your recommendations to improve the effectiveness of our award administration, monitoring, and closeouts.

BPA has a long history of self-assessment and improvement across its programs, including the Fish and Wildlife Program. In addition to the noted 2018 Governance Structure Assessment completed by BPA's Office of Risk Management, the Fish and Wildlife Program has undergone several audits spanning a wide range of program areas, including a 2019 Fraud Risk Assessment, 2020 Review of Financial Expenditure Accruals Audit, 2021 Review of Fish and Wildlife Program Indirect Rates, and an agency wide Contracting Officer's Representative (COR) Audit. The Fish and Wildlife Program has implemented all the recommendations from these audits leading to continuous improvements since the 2018 assessment.

BPA has already completed several corrective actions in the CBFish system, and other corrective measures are in progress. A summary of our response to the OIG recommendations is below:

Recommendation 1: We recommend that the Administrator and Chief Executive Officer, BPA, direct the Executive Vice President, Environment, Fish and Wildlife, to ensure effective

administration of contracts by developing a tool to analyze the data in CBFish and identifying potential issues.

Management Response: We concur. The updates that Fish and Wildlife staff are planning to make to CBFish will allow for improved effectiveness of our award monitoring and data analysis. A new report will allow improved management visibility into the status of contracts that have not been finalized beyond contract expiration. Through regular monitoring of a standardized report, managers will have access to real-time information about outstanding project status reports and projects with final invoices that have not been received, which will allow for improved communication between BPA's Fish and Wildlife Program and Awardees.

This corrective action plan is scheduled for completion by July 31, 2025.

Recommendation 2: We recommend that the Administrator and Chief Executive Officer, BPA, direct the Chief Supply Chain Officer to ensure effective administration of contracts by identifying the optimal size of the CO workforce to ensure that it is appropriate for the workload distribution.

Management Response: We concur. The size of all BPA's Contract and Strategic Sourcing (NSS) work teams is dictated by the amount of transactional and strategic work supported by the respective contracting teams. Final staffing counts are determined through BPA's start-of year (SOY) budget-setting processes that consider risks, resources, and mission priorities. We have estimated additional staff costs in our current Integrated Program Review, which assesses the likely costs that BPA anticipates in the coming fiscal years.

This corrective action plan is scheduled for completion by July 31, 2025.

Recommendation 3: We recommend that the Administrator and Chief Executive Officer, BPA, direct the Chief Supply Chain Officer to ensure effective administration of contracts by reviewing the seven contracts that remain open as identified in the report, along with the expired contracts and agreements not included in our sample, and addressing the issues resulting in delayed closeout.

Management Response: We concur. Currently, three Intergovernmental Contracts (IGC) that were identified from the DOE IG Audit report remain open. BPA enters IGCs and cooperative agreements with regional tribes and state agencies, using their expertise and knowledge to complete fish and wildlife mitigation work identified in long-term agreements, court orders, biological opinions, etc. BPA needs to track these financial commitments for accrual obligations in its accounting systems for both Treasury reporting and to comply with financial reporting accounting standards. For those contracts/agreements that have not yet submitted final invoices, BPA will administratively extend the contracts to allow more time for invoice submittal and to be in compliance with contract administration standards.

BPA is undertaking a comprehensive communication plan to formally solicit final invoices from awardees with expired awards or other existing invoice delays. An escalation procedure is being developed to establish protocols for communication standards and timeframes going forward. As part of this procedure, BPA will work with tribal and state agencies to identify any barriers that might be delaying invoice submittal. For those entities who continually have significant invoice delays, BPA will take more deliberate administrative actions.

NSS will work with the Head Contracting Authority (HCA) to update both the Bonneville Purchasing Instruction (BPI) and Bonneville Financial Assistance Instruction (BFAI) policies, providing greater flexibility when addressing contract and financial assistance awards.

This corrective action plan is scheduled for completion by July 31, 2025.

Recommendation 4: We recommend that the Administrator and Chief Executive Officer, BPA, direct the Chief Supply Chain Officer to ensure effective administration of contracts by developing and implementing additional processes and controls to strengthen BPA's oversight and monitoring of contracts such as training, tracking task status more accurately, and documenting justification for final disposition of task.

Management Response: We concur. In addition to the expansion and implementation of monitoring tools and development of a systematic training plan to address the identified control weaknesses, the Fish and Wildlife Program is also initiating a thorough review of the invoice review and deliverable confirmation processes. Through this review, the Fish and Wildlife Program will identify improvements in quality controls, procedures, training, or other gaps to increase effectiveness and ensure accountability. We will ensure clear expectations and guidelines are documented for both BPA staff and Awardees. These guidelines will include quality controls to ensure that the contract task was properly executed and that the final status report was accurate before accepting the report. Furthermore, the Fish and Wildlife Program is implementing an ongoing process for managers to review a subset of awards at defined intervals. These periodic reviews will serve as a self-assessment function for greater accountability.

This corrective action plan is scheduled for completion by July 31, 2025.

Recommendation 5: We recommend that the Administrator and Chief Executive Officer, BPA, direct the HCA to ensure effective administration of contracts by updating BPA's policies and procedures to include a process for closing out IAAs and to establish specific closeout timeframes.

Management Response: We concur. In response, the HCA incorporated language establishing closeout timeframes and identified a process for closing out interagency agreements in the BPI.

This corrective action plan was completed on April 30, 2024.

Recommendation 6: We recommend that the Administrator and Chief Executive Officer, BPA, direct the HCA to ensure effective administration of contracts by evaluating the current design and operating effectiveness of the invoicing practices and revising, developing, or implementing a policy to strengthen and improve BPA's overall approach to reviewing invoices.

Management Response: We concur. BPA will evaluate the invoice review function by performing a scheduled review of payment support and compliance with requirements.

This corrective action plan is scheduled for completion by July 31, 2025.

Recommendation 7: We recommend that the Administrator and Chief Executive Officer, BPA, direct the HCA to ensure effective administration of contracts by considering the use of a structured, documented self-assessment process to ensure compliance with applicable requirements and continuous improvement of the Program.

Management Response: We concur. Fish and Wildlife is currently identifying opportunities for periodic review as referenced in our response to Recommendation #4. In addition, BPA finds assessments to be an effective tool. For example, the 2018 assessment referred to in the report was performed by BPA's Compliance, Audit, and Risk Management organization. BPA's Internal Audit has had a Fish and Wildlife Program review on its plan for 2 years; however, the review has been paused until the completion of the OIG audit. Internal Audit will determine future Fish and Wildlife audits during its annual planning. Finally, targeted reviews of Fish and Wildlife and contract administration will continue to be conducted as determined by the Administrator, Internal Audit and HCA.

This corrective action plan is scheduled for completion by July 31, 2025.

Recommendation 8: We recommend that the Administrator and Chief Executive Officer, BPA, direct the CO to ensure effective administration of contracts by making a determination regarding the allowability of questioned costs identified in this report, recovering those amounts determined to be unallowable, and determining whether additional steps are needed to validate the allowability of costs associated with issues identified during our invoice review.

Management Response: We concur. BPA has determined that the identified costs were not allowable. Fish and Wildlife staff have spoken with the Awardees and will recover the non-allowable amounts of the three specific invoices totaling \$1,178.06. As mentioned earlier in this response, the invoice review process will undergo a full review for improvement opportunities. Additionally, invoice review is included in the training framework being developed as well as incorporated in the periodic self-assessment process that Fish and Wildlife will implement.

This corrective action plan is scheduled for completion by July 31, 2025.

Appendix 3: Management Comments

5

We appreciate the OIG's thorough review of our Fish and Wildlife Program and take the findings very seriously. We are committed to addressing the issues identified in this report. Additional information regarding our response is available as necessary and upon request. Thank you again for the opportunity to respond to this draft audit report.

Sincerely,

John
Hairston  Digitally signed by
John Hairston
Date: 2024.07.31
10:36:31 -0700

John L. Hairston
Administrator and Chief Executive Officer

FEEDBACK

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