EPA / USACE Payment Process

Exhibit 20. Payment Process Direct Cite/Revised Reimbursable Methods (Page 1 of 4)

United States Environmental Protection Agency
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EPA/USACE PAYMENT PROCESS
Direct Cite/Revised Reimbursement Methods

Office of Emergency and Remedial Response
Hazardous Site Control Division OS-220
Quick Reference Fact Sheet

Introduction

This Quick Reference Fact Sheet announces a new procedure for paying the U.S. Army Corps of Engineers (USACE) for their Superfund related activities. This fact sheet will first describe the current procedure and then outline the changes the Office of Emergency and Remedial Response (OERR), Office of the Comptroller, Office of Administration and USACE are implementing.

Background

The U.S. Army Corps of Engineers (USACE) provides engineering and construction management services to assist U.S. Environmental Protection Agency (EPA) in the implementation of the Superfund program. USACE services include remedial design, remedial action, oversight of potentially responsible parties, and technical assistance. These services have been provided since 1982 through several Memorandums of Understanding.

Currently, USACE costs incurred while performing Superfund related activities are paid from USACE appropriations which are then in turn reimbursed by EPA. Prior to reimbursement, payment requests received a lengthy review and approval process within EPA. This process begins with the submission of a contractor's invoice for work accomplished under a contract or a standard form (SF) 1080 for USACE in-house activities. The contractor's invoice is reviewed and approved by the USACE Project Manager. The invoice is sent by the USACE Project Manager to a USACE Finance Office for payment with USACE appropriations. USACE Finance Office then submits a SF1080 for reimbursement of contract and in-house costs. The SF1080 is sent to the EPA Cincinnati Financial Management Center (CFMC). CFMC in turn sends the SF1080 to the EPA Remedial Project Manager (RPM) for review and approval. The approved SF1080 is returned to CFMC for EPA processing. Finally, CFMC sends the approved SF1080 to the Department of the Treasury for reimbursement to USACE. This reimbursement method is complex and significantly delays payment to USACE.

In an attempt to improve the payment process, a proposal entitled "Direct Cite/Modified Transfer Allocation Method for Funding IAGS" was issued on October 14, 1988. The direct cite method elimates reimbursement to USACE for contractor costs by having EPA make payments directly to the contractor in conformance with the prompt payment act based on USACE certification of contractor invoices. This allows the Federal Agency with direct knowledge of contractor performance to approve the invoices for payment. This method provides for the EPA review process to occur after the payment is made and any corrective action taken on subsequent payment requests. A monthly transfer allocation was proposed to cover USACE in-house cost.

A demonstration project to test this method was conducted between January and June of 1989. The test was evaluated in late June and results reported to the evaluation team members in July. The report recommended and the evaluation team concurred that the direct cite process be initiated for all new USACE Superfund projects. The team wanted additional time to further assess the transfer allocation process for in-house costs before making any final recommendations on this process. A revised reimbursement process was recommended as an interim payment process for in-house USACE costs.

Implementing these new payment processes between EPA and USACE will reduce the complexity of the payment

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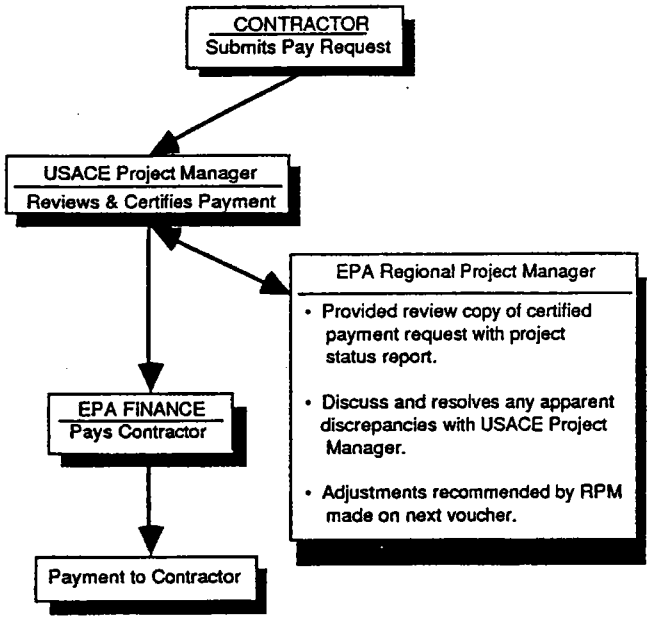
process and the resulting payment delays to USACE. The new direct cite process provides a mechanism for payment to contractors in conformance with the prompt payment act based on USACE payment certification. A copy of the certified pay request will be forwarded by the USACE Project Manager to the RPM for review and possible reconciliation. This change will reduce the stress on the RPM to take immediate action on a payment request.

New Payment Procedures

OERR Directive Memorandum 9295.2-04, "EPA/U.S. Army Corps of Engineers Payment Process, Direct Cite/Revised Reimbursement Methods," dated March 21, 1990, formally initiated new payment procedures for EPA/USACE Superfund activities.

New Projects: The following payment processes will be used for all new USACE projects.

Figure 1
Direct Cite Payment Process for New Projects



Contractor Costs - In this direct cite process (please refer to Figure 1) the remedial design or remedial action contractor shall submit a signed payment request to the USACE Project Manager. The request will be reviewed and certified by USACE and forwarded to the EPA Cincinnati Financial Management Center (CFMC). CFMC will make payment directly to the contractor in conformance with the prompt payment act upon receipt of the USACE certified payment request. Monthly, USACE will send copies of all certified payment requests to the RPM for his review in conjuction with the project status report. If the EPA RPM detects any apparent discrepancies with the payment request, the problem shall be discussed and resolved with the USACE Project Manager. Any changes required to subsequent payment requests will be documented in a memorandum from the RPM to the USACE Project Manager. CFMC will be sent a copy of this memorandum. *RPM review and approval shall be obtained by CFMC prior to making to the final contract payment.*

USACE In-House Costs - Compensation for USACE in-house costs will continue to be handled under a revised reimbursement process with the payment being made by CFMC upon receipt of a USACE certified request for payment (see Figure 2). In the monthly project status report, the USACE Project Manager shall provide a copy of the certified bill (SF 1080) submitted to CFMC for their in-house costs. A brief explanation of all costs will be included in the report. Resolution of disagreements shall be handled in a similar fashion as the direct cite process. *RPM review and approval shall be obtained by CFMC prior to making the final project payment to USACE.*

Existing Projects: To initiate the direct cite process for ongoing projects, USACE contracts would have to be amended, along with existing IAGs. Although complete implementation has merit, the retrofitting of existing projects could be difficult. For this reason, the revised reimbursement payment process shall be implemented for all payment requests made by USACE for existing projects (please refer to Figure 3). USACE certified SF 1080 forms for reimbursement of contractor payments and in-house costs shall be sent directly to CFMC for payment. If the RPM disagrees with a request, the problem shall be discussed and resolved with the USACE Project Manager. Any changes required to subsequent pay requests will be documented in a memorandum from the RPM to the USACE Project Manager. CFMC will be sent a copy of this memorandum. *RPM review and approval shall be obtained by CFMC*

Figure 2
Revised Reimbursement Payment for USACE In-House Costs

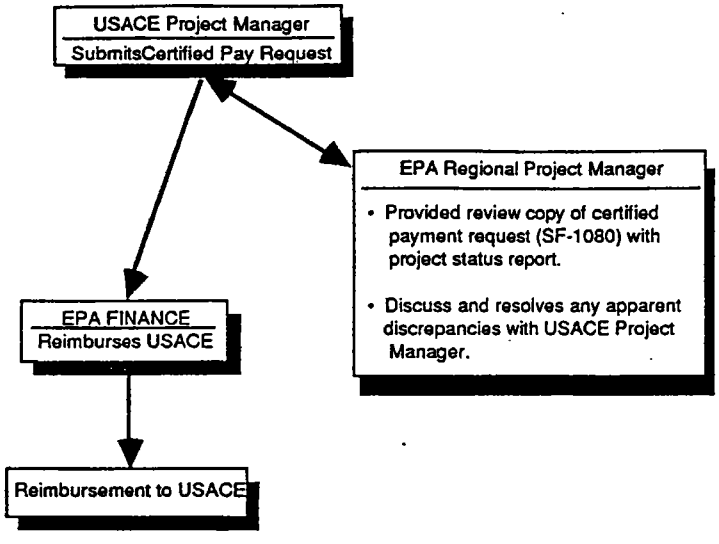
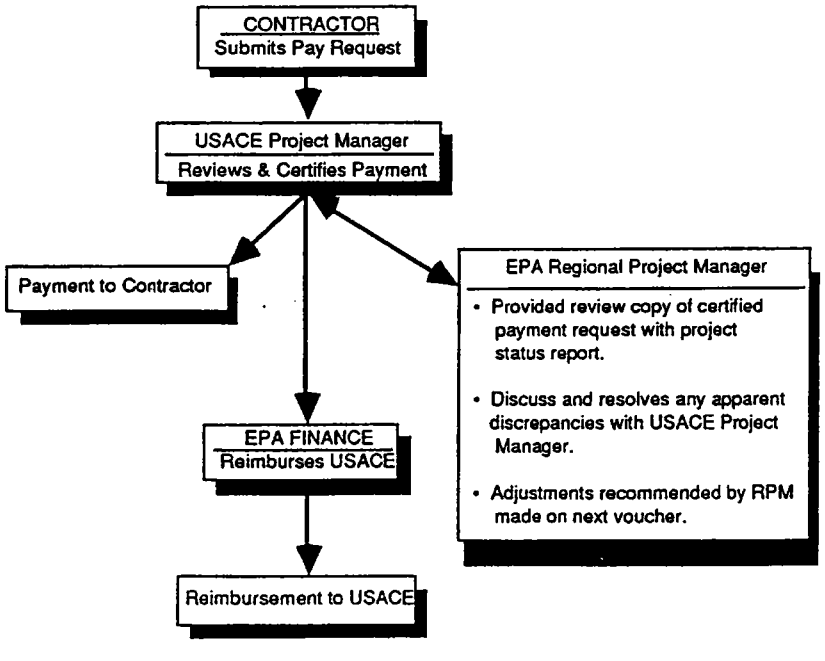


Figure 3
Revised Reimbursement Payment for Existing Projects



prior to the final project payment to USACE.

Implementation

Interagency Agreement: For any individual Interagency Agreement (IAG), the inclusion of the following clause implements the direct cite methodology for that IAG:

a. Payment to USACE contractors is contingent upon receipt of a USACE certified payment request. Reimbursement to USACE for in-house costs is contingent upon receipt of a USACE certified reimbursement request (SF 1080). Final project payments for specific contracts and in-house cost shall be reviewed and approved by the EPA Regional program office.

This clause provides the authorized mechanism to utilize the direct cite and revised reimbursement payment processes and should be inserted into the "Other EPA Involvement" section of the IAG. IAGs issued under the new payment procedures should indicate the dollar limitations applicable to the direct cite and reimbursable funds available. This will assure the funds are obligated against the appropriate funding method and not the total amount of the IAG. When funding levels are exceeded for either portion of the IAG, amendments will be prepared increasing the funding level for that portion. A budget should also be prepared by USACE and included in the IAG to help in the management of the project. Due to the variability of Superfund projects, strict adherence to each line item should not be a requirement; however, line item variations should not allow the total budget to

be exceeded. Preparation and inclusion of a budget should be considered a management tool to identify potential problems. This topic will be expanded upon later.

Financial Reporting from USACE: In advising USACE Project Managers of this new procedure, USACE will direct the Project Managers to provide a brief explanation of their cost to the RPM along with a copy of the payment request(s) submitted to the EPA Cincinnati Financial Management Center. At a minimum the Project Manager should discuss both USACE in-house and contractor activities that comprise each item for which payment is requested. Payment requests should be based on IAG budget and contract payment schedules. For this process to be successful a good line of communication must be established and maintained between the RPM and the USACE Project Manager.

Monthly Project Status Report: On a monthly basis the USACE Project Manager will provide a project status report to the RPM. This report shall consist of:

- a one page narrative detailing project highlights, progress, problems and scheduled meetings for the next month.
- copies of all certified payment requests submitted during the month.
- a brief explanation of the cost associated with each payment request.

Payment Discrepancies: Payment discrepancies should be discussed between the RPM and USACE Project Manager. If resolution cannot be reached at this level, the problem(s) should be referred up the chain of command. When the resolution to the problem(s) requires a change in a subsequent payment request(s), the EPA RPM will document the action(s) to be taken in a memorandum to the USACE Project Manager with a copy to EPA Cincinnati Financial Management Center.

Budget Control: Preparation and adherence to a budget is key to managing any project. The preparation of a project budget and its inclusion in the IAG provides budget control over the project by managing against the established project budget. The budget for a project should contain sufficient detail, without being burdensome, to enable the EPA RPM to evaluate the progress and management of the project. The USACE should be allowed to adjust specific budget items as the project develops, as long as, they do not exceed the funding limits specified in the IAG. For the EPA RPM, a budget can be used as a means to approximate project progress as well as an indicator to highjlight potential problems. Deviations from the budget could indicate a change or unexpected problem in the project that warrants a closer look.

Summary

The direct cite and revised reimbursement payment procedures will eliminate reimbursement to USACE for contractor costs and expedite payments to USACE offices engaged in Superfund related activities. The procedures remove the pressure from the RPM to do an immediate review of payment request. Project budget control will be maintained by managing against the budget established in the IAG. Success of the procedures is dependent upon good communications between the RPM and USACE Project Manager. The USACE Project Manager must effectively communicate the status of the relationship between project progress, budget, and payments to contractors and USACE.