Audit Report

NAVY HAZARDOUS SUBSTANCE MANAGEMENT SYSTEM CONTRACT

Report Number 99-040 November 25, 1998

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Acronyms

CFR	Code of Federal Regulations
HSMS	Hazardous Substance Management System
JJMA	John J. McMullen Associates, Incorporated
NAVSUP	Naval Supply Systems Command
PPE	Personal Protective Equipment

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

November 25, 1998

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Navy Hazardous Substance Management System Contract (Report No. 99-040)

We are providing this report for information and use. This audit was performed in response to allegations to the Defense Hotline concerning inappropriate contractor actions on the Navy Hazardous Substance Management System Engineering and Technical Support Services contract. Comments from the Naval Supply Systems Command on a draft of this report were considered in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and there are no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Joseph P. Doyle at (703) 604-9348 (DSN 664-9348) or Ms. Addie M. Beima at (703) 604-9231 (DSN 664-9231). See Appendix C for the report distribution. Audit team members are listed inside the back cover.

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 99-040 **November 25, 1998**
(Project No. 8CK-8006)

Navy Hazardous Substance Management System Contract

Executive Summary

Introduction. The audit was performed in response to allegations to the Defense Hotline concerning inappropriate contractor actions on the Navy Hazardous Substance Management System (HSMS) Engineering and Technical Support Services contract. The complainant alleged that the HSMS implementation contractor entered inaccurate data into the HSMS master database, did not comply with occupational safety and health regulations, and inappropriately charged labor costs to the contract. HSMS is a "cradle-to-grave" tracking system for hazardous materials that satisfies Federal and State environmental reporting requirements. HSMS implementation delivery orders issued between February 1995 and February 1998 totaled $11.5 million.

Audit Objectives. The audit objective was to determine whether the terms of the Engineering and Technical Support Services contract (N00600-95-D-0290) were being properly executed. We also determined whether applicable safety and environmental guidance was implemented. See Appendix A for a discussion of the audit process.

Audit Results. The allegation to the Defense Hotline that the contractor entered inaccurate data into the HSMS database was substantiated. However, Naval Supply Systems Command officials were aware of the problem and were taking corrective actions. The allegation that the contractor did not comply with occupational safety and health regulations was partially substantiated. The allegation that the contractor inappropriately charged labor costs to the contract was not substantiated. See Appendix B for a discussion of the allegations to the Defense Hotline.

The contractor did not follow health and safety standards pertaining to personal protective equipment, hazard communication programs, and written emergency action plans required by the contract. The contractor did not verify hazardous materials to authorized use lists. In addition, contract provisions were not consistent with regulations for personal protective equipment. As a result, contractor employees risked potential exposure to hazardous materials and the Navy risked increased health and safety claims. See Part I for a discussion of the audit results.

Actions Taken. As a result of this audit, Naval Supply Systems Command modified the basic contract and incorporated some of the recommended changes in delivery order 47. The Navy modified the basic contract to require the contractor to provide a minimum of 8 hours of hazard communication training to employees handling hazardous materials and clarified contractor requirements to comply with applicable Federal, State, and local laws, as well as Navy regulations and directives. The modification required the contractor to brief its employees about site-specific hazards, hazardous communication plans and emergency procedures, as well as the location of material safety data sheets. In addition, delivery order 47 required the contractor to brief its employees on local base Emergency Spill Response Plan requirements.

Delivery order 47 also required the contractor to provide personal protective equipment to its employees who handle hazardous materials. We commend Naval Supply Systems Command for taking immediate steps to minimize contractor employee exposure to hazardous materials.

Summary of Recommendations. We recommend that the Commander, Naval Supply Systems Command, modify HSMS implementation Memoranda of Agreement between the Naval Supply Systems Command and the installations to require Navy safety officials to brief contractor personnel about site-specific hazardous conditions, and verify that contractor personnel use appropriate personal protective equipment. We also recommend that Naval Supply Systems Command modify basic contract N00600-95-D-0290 to require the contractor to obtain on-site briefings on hazardous conditions from installation safety personnel, and to require the contractor to have a written hazard communication program and emergency action plan.

Management Comments. The Deputy Assistant Secretary of the Navy (Environment and Safety) concurred with all recommendations. The Deputy Assistant Secretary agreed to modify memoranda of agreement to require Navy officials to brief contractors on site-specific hazards before allowing them to commence work on-site. The Deputy Assistant Secretary also agreed to modify the basic contract to require the contractor to use appropriate personal protective equipment identified in material safety data sheets, obtain on-site briefings about hazardous conditions before commencing work at a site, and to have a written hazard communication program and emergency action plan. However, the Deputy Assistant Secretary nonconcurred with one aspect of the overall finding stating that the contractor had followed health and safety standards required by the contract. See Part I for a summary of management comments and Part III for the complete text of management comments.

Audit Response. The Deputy Assistant Secretary of the Navy (Environment and Safety) comments were fully responsive to the recommendations. However, we disagree with the position that the contractor followed the health and safety standards pertaining to personal protective equipment, hazard communication programs, and written emergency action plans required by the contract. The contract required the contractor to comply with applicable Federal, State, and local laws, codes, ordinances, and regulations, of which these standards were a part. Therefore, it is our position that in failing to comply with these standards the contractor failed to comply with the terms of the contract.

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Part I - Audit Results

Audit Background

The audit was conducted in response to allegations to the Defense Hotline concerning inappropriate contractor actions on the Navy Hazardous Substance Management System (HSMS) Engineering and Technical Support Services contract. The complainant alleged that John J. McMullen Associates, Incorporated (JJMA), the HSMS implementation contractor, entered inaccurate data into the HSMS master database, did not comply with occupational safety and health regulations, and inappropriately charged labor costs. HSMS delivery orders issued between February 1995 and February 1998 totaled $11.5 million. The allegations pertained to work done under delivery orders 32 and 39 of the contract, valued at $2.5 million and $2.3 million respectively. The delivery orders required the contractor to support the Navy-wide implementation of the Consolidated Hazardous Material Reutilization and Inventory Management Program using HSMS. The purpose of the Consolidated Hazardous Material Reutilization and Inventory Management Program is to reduce the amount of hazardous materials used on an installation and stored in work areas.

HSMS Implementation. Naval Supply Systems Command (NAVSUP) is responsible for HSMS implementation. HSMS implementation was being accomplished through a basic Engineering and Technical Support Services contract (N00600-95-D-0290) with JJMA. As part of HSMS implementation, JJMA was required to develop an inventory of hazardous materials on an installation and enter the inventory data into a master database. Responsibilities of site personnel for assisting the contractor with implementing HSMS were defined in individual memoranda of agreement between the sites and NAVSUP. HSMS will ultimately be fielded throughout DoD in accordance with individual Service plans.

Hazardous Substance Management System. HSMS is a relational database designed to provide an accurate means of receiving, distributing, and accounting for hazardous materials and their component chemicals as well as the accumulation and disposition of hazardous waste at an installation. As a "cradle-to-grave" tracking system, HSMS will maintain an inventory of all hazardous materials on an installation and should satisfy Federal and State environmental reporting requirements.

Audit Objectives

The audit objective was to determine whether the terms of the Engineering and Technical Support Services contract (N00600-95-D-0290) for NAVSUP were being properly executed. We also determined whether applicable safety and environmental guidance was implemented. See Appendix A for a discussion of the audit process.

Hazardous Substance Management System Contract Implementation

The contractor did not follow health and safety standards pertaining to personal protective equipment, hazard communication programs, and written emergency action plans required by the contract. The contractor also did not ensure that the established authorized use lists matched materials actually in use at HSMS implementation sites. In addition, contract provisions were not consistent with regulations for personal protective equipment (PPE). These conditions occurred because the Navy and the contractor either did not adequately emphasize or did not adequately understand health and safety regulations applicable to HSMS implementation. As a result, contractor employees risked exposure to hazardous materials and the Navy risked potential related health and safety claims.

Compliance with Health and Safety Standards

The contractor did not properly implement health and safety standards during HSMS implementation. Contractor personnel did not always wear adequate PPE, and the contractor did not have a written hazard communication program describing how hazardous materials information and training requirements would be met. Also, the contractor did not have emergency action plans for employees.

Use of Personal Protective Equipment. Contractor personnel did not wear adequate PPE while inventorying hazardous materials at Navy installations in Hawaii. As required by 29 Code of Federal Regulations (CFR) 1910.132, "Personal Protective Equipment," section (d)(1):

> "The employer shall assess the workplace to determine if hazards are present, or likely to be present, which necessitate the use of personal protective equipment (PPE). If such hazards are present, or likely to be present, the employer shall: select and have each affected employee use the types of PPE that will protect the affected employee from the hazards identified in the hazard assessment; communicate selection decisions to each employee; and select PPE that properly fits each affected employee."

Workplace Assessments. The contractor did not adequately assess the hazards at HSMS implementation sites to inform and protect affected employees. JJMA employees frequently handled new and previously opened hazardous substance containers that were subject to uncontrolled releases caused by spills, breakage, or corrosion. However, on-site contractor employees were not informed of the specific hazardous chemicals maintained on the installations or the related risks before they commenced work. Navy officials provided JJMA with advance copies of implementation site hazardous substance inventories. JJMA could have used this information to assess the inherent risk

at implementation sites and ensure that its employees were adequately protected. Instead, the contractor only used the inventories to populate the master database.

Selecting and Using Appropriate PPE. Contractor personnel did not always use the PPE recommended on material safety data sheets for the chemicals being inventoried. For example, the most hazardous material handled by contractor personnel at the sites we visited was sulfuric acid. The material safety data sheet states that, as a minimum, chemical splash goggles and rubber gloves should be worn when handling sulfuric acid. According to on-site Navy safety officials, contractor personnel did not always use goggles or rubber gloves when handling sulfuric acid. Instead, the PPE used by contractor personnel was generally limited to coveralls, hard-toed shoes, and the occasional use of fabric gloves. According to JJMA officials, they were not responsible for their employees' selection and use of PPE. JJMA officials believed that because the contract required the Navy to provide PPE, it was the Navy responsibility to ensure that contractor personnel used appropriate PPE when handling hazardous materials. According to Navy safety officials and 29 Code of Federal Regulations (CFR) 1910.132, JJMA should have ensured that its employees used the PPE identified on material safety data sheets of hazardous materials being inventoried. As a result of this misunderstanding, no one was ensuring that contractor personnel used appropriate PPE when handling hazardous materials.

Hazard Communication Program. JJMA did not have a written hazard communication program as required by 29 CFR 1910.1200 (e), "Written Hazard Communication Program." According to 29 CFR, employers should develop, implement, and maintain at each work site a written hazard communication program that describes hazardous materials and employee training standards. The hazard communication program will include a list of hazardous chemicals known to be present using identities referenced on related material safety data sheets. Because the work sites of affected JJMA employees were Navy installations, NAVSUP should require JJMA to have a written hazard communication program specifying how contractor personnel will interface with installation officials to receive site-specific hazard information. For example, JJMA officials could review installation health and safety plans and receive safety and hazard briefings prior to commencing work at a site. This would assist JJMA in performing the hazard assessments needed to ensure that its employees have and use PPE as appropriate.

Compliance with Emergency Plan Requirements. JJMA did not have emergency plans required by 29 CFR 1910.38, "Employee Emergency Plans and Fire Prevention Plans." Employers are required to have written emergency action plans covering the designated actions employers and employees must take to ensure safety in emergencies. JJMA officials mistakenly understood that, since they trained their employees to evacuate the area in an emergency, they were exempt from this requirement. However, according to Occupational Safety and Health Administration officials, 29 CFR 1910.38 does apply to JJMA. Since the workplaces of the affected contractor employees are Navy sites, NAVSUP officials should require JJMA to have a written emergency plan and to coordinate that plan with safety officials at each site.

Authorized Use Lists

The contractor did not ensure that the established authorized use lists matched materials actually in use at HSMS implementation sites in Hawaii. Authorized use lists identify and associate authorized hazardous materials with work sites and processes. JJMA was supposed to note deviations at implementation sites from authorized use lists and bring the deviations to the attention of Navy hazardous material inventory managers. Instead, JJMA entered the materials they found at work sites into databases without verifying that it was an authorized material or bringing unauthorized items to the attention of Navy inventory managers. For example, information on the authorized use lists at two of the six sites visited did not match HSMS database information. At the Pacific Missile Range Facility, some national stock numbers and cost centers on the authorized use list were not entered in HSMS. At the Naval Intermediate Maintenance Facility, JJMA entered standard material safety data sheet numbers into HSMS even though the authorized use lists contained local numbers. In addition, JJMA entered unauthorized materials found at work sites into HSMS and did not enter authorized materials that were out of stock into HSMS. As a result, the Naval Intermediate Maintenance Facility authorized use lists in HSMS were not accurate.

Contract Provisions

Provisions for PPE in the basic engineering and technical support services contract were not consistent with guidance in 29 CFR 1910.132(d)(1). According to 29 CFR 1910.132(d)(1), the employer, JJMA, was responsible for ensuring that its employees were properly trained on the use of PPE, were provided with PPE that fit, and wore appropriate PPE to protect against the hazards at implementation sites. Contrary to this guidance, delivery order 39 stated that the Government would provide PPE to contractor personnel. However, NAVSUP representatives did not tell Navy safety officials at the implementation sites that they were to provide PPE to contractor personnel, nor did contractor personnel handling hazardous materials ask for PPE. Navy safety officials stated that it would not have been in the Government's best interest to provide the equipment in spite of the contract requirement because it would have extended their liability for personnel safety. As a result of discussions between the auditors and NAVSUP officials, the Navy changed the delivery order to require the contractor to provide PPE to its personnel.

Health and Safety Emphasis

The Navy and the contractor either did not adequately emphasize or understand HSMS implementation health and safety regulations in contractual documents and memoranda of agreement.

Navy Emphasis. Navy officials did not emphasize health and safety factors when planning and executing HSMS implementations. Initially, NAVSUP wrote vague health and safety provisions in the engineering and technical support services contract. For example, the only requirement for the contractor to follow applicable health and safety standards pertaining to hazardous materials was incorporated in the contract by reference to Federal Acquisition Regulation clause 52.223-3, "Hazardous Material Identification and Material Safety Data." The clause states that, "Nothing contained in this clause shall relieve the contractor from complying with applicable Federal, State, and local laws, codes, ordinances, and regulations (including the obtaining of licenses and permits) in connection with hazardous materials." There were no instructions in the basic contract or related delivery orders to have the contractor and installation health and safety officials interact to optimize safeguards. In addition, the NAVSUP did not ensure that the contractor was following applicable laws, codes, ordinances, and regulations governing hazardous materials. Also, memoranda of agreement with on-site Navy officials did not require them to monitor contractor compliance with health and safety requirements.

Contractor Emphasis. JJMA did not understand applicable regulations and did not emphasize health and safety factors relative to HSMS implementations. Contractor officials responsible for employee health and safety felt that either the Navy was responsible for seeing that contractor personnel complied with applicable requirements, or that they were exempt from the requirements. For example, JJMA officials thought they did not need a written hazard communication program because their employees were handling sealed containers of hazardous materials in a warehouse environment. In actuality, they were also handling many resealed containers in various stages of use and reuse in warehouses, lockers, and workstations. According to Occupational Safety and Health Administration personnel, regardless of whether the containers are sealed or resealed, the contractor should have a written hazard communication program for hazardous material handlers. Also, JJMA believed they were exempt from the requirement to have the written emergency action plan because they trained their employees "to leave the area" in emergencies. This lack of a plan did not meet Occupational Safety and Health Administration standards and risked the health and safety of employees handling hazardous materials, particularly those in closed environments.

Potential Health and Safety Claims

The Navy risked potential increased health and safety claims resulting from exposure to hazardous materials. Provisions in contractual agreements with JJMA and a lack of emphasis on health and safety issues in memoranda of agreement with implementation sites exposed the Navy to increased liabilities. For example, by agreeing to provide contractor personnel with PPE, NAVSUP exposed the Navy to liabilities for the health of contractor personnel using such equipment. In addition, failing to provide for sufficient oversight to ensure that contractor personnel followed applicable health and safety regulations when handling hazardous materials increased the risk of health and safety claims.

Future memoranda of agreement with implementation sites should require Navy personnel to provide briefings and oversight to contractor personnel to ensure that they follow applicable health and safety regulations.

Actions Taken by the Navy During the Audit

Based on preliminary discussions with the Director, Pollution Prevention Division, NAVSUP, the Navy took the following actions to correct some of the deficiencies identified by the audit.

- Basic contract N00600-95-D-0200 was modified on February 23, 1998, to include a paragraph in the statement of work requiring contractor personnel to have appropriate training. The modification requires that the contractor provide a minimum of 8 hours of hazard communication training to employees likely to be exposed to hazardous materials. In addition, the modification requires the contractor to provide an on-site in-brief to employees to review site-specific hazards, the installation hazardous communication plan and emergency procedures, and the location of the material safety data sheets. Although not required, the modification also recommended baseline medical screenings for contractor employees.

- Delivery order 47, February 13, 1998, requires JJMA to brief its employees on local base Emergency Spill Response Plan requirements and provide PPE to its employees as required when handling hazardous materials.

- Directives in the basic contract and delivery order 47 clarified and strengthened requirements for the contractor to comply with applicable Federal, State, and local laws, as well as Navy regulations.

Management Comments on the Finding and Audit Response

The Deputy Assistant Secretary of the Navy (Environment and Safety) nonconcurred with the overall finding stating that the contractor adequately followed health and safety standards required by the contract. We disagree with the Deputy Assistant Secretary's position on the finding. The contract required the contractor to comply with applicable Federal, State, and local laws, codes, ordinances, and regulations. The standards governing the use of personal protective equipment, hazard communication programs, and emergency action plans are a part of the Federal, State, and local laws, codes, ordinances, and regulations that the contract required the contractor to comply with. It is our position that in failing to comply with these standards the contractor failed to comply with the terms of the contract.

Recommendations, Management Comments, and Audit Response

We recommend that the Commander, Naval Supply Systems Command:

1. Modify Hazardous Substance Management System implementation Memoranda of Agreement between the Naval Supply Systems Command and the installations to require Navy safety officials to:

a. Brief contractor personnel on site-specific hazardous conditions before allowing them to commence work at the site.

b. Verify that contractor personnel use appropriate personal protective equipment as specified in material safety data sheets when handling hazardous materials.

Management Comments. The Deputy Assistant Secretary of the Navy (Environment and Safety) concurred and agreed to revise Memoranda of Agreement with implementation sites to require that Navy officials provide contractor personnel safety briefings prior to their commencing work at the site. The Deputy Assistant Secretary also agreed to modify the basic contract to require contractor personnel to use appropriate personal protective equipment required in material safety data sheets.

2. Modify basic contract N00600-95-D-0290 to:

a. Require the contractor to obtain on-site briefings about hazardous conditions from installation safety personnel before commencing work at the site.

b. Require the contractor to have a written hazard communication program and emergency action plan.

Management Comments. The Deputy Assistant Secretary of the Navy (Environment and Safety) agreed to modify the basic contract to require the contractor to obtain on-site safety briefings prior to commencing work and to have a written hazard communication program and emergency action plan.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

Work Performed. We evaluated contractor performance on delivery orders 32 and 39 of contract N00600-95-D-0290, valued at $2.5 and $2.3 million respectively, for HSMS implementation at Navy sites in Hawaii. We also reviewed health and safety provisions incorporated into delivery order 47 as a result of discussions with NAVSUP. We reviewed the statements of work, Memoranda of Agreement between NAVSUP and the implementation sites, and the "HSMS Activity Implementation Manual" to determine contractor and Navy responsibilities during HSMS implementation. We interviewed supply, safety, and environmental personnel at the installations to evaluate HSMS implementation and substantiate allegations of data errors and violations of safety and health regulations. We reviewed the labor costs charged to the delivery orders from June 1997 through August 1997 to determine whether labor costs were appropriately charged. Finally, we reviewed NAVSUP quality assurance of contractor HSMS implementation efforts. We did not review the management control program because the audit scope was limited to allegations related to a single contract (N00600-95-D-0290).

DoD-Wide Corporate Level Government Performance and Results Act Goals. In response to the Government Performance Results Act, the DoD established 6 DoD-wide corporate level performance objectives and 14 goals for meeting these objectives. This report pertains to the achievement of the following objective and goal:

> **Objective:** Fundamentally reengineer the Department and achieve a 21st century infrastructure. **Goal:** Reduce costs while maintaining required military capabilities across all DoD mission areas. **(DoD-6)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals:

> **Environment Functional Area. Objective:** Implement pollution prevention programs throughout the DoD. **Goal:** By the end of calendar year 1999, reduce total releases and off-site transfers of toxic chemicals 50 percent from the 1994 toxic release inventory baseline (amount of toxic releases and off-site transfers measured and reported in pounds). **(ENV-3.1)**

Environment Functional Area. Objective: Implement pollution prevention programs throughout the DoD. **Goal:** By the end of calendar year 1999, reduce disposal of hazardous waste 50 percent from the 1992 baseline (amount of hazardous waste disposal will be measured and reported in pounds). **(ENV-3.2)**

General Accounting Office High Risk Area. The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Defense Contract Management high risk area.

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from December 1997 to September 1998 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not rely on computer processed data for this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD, Occupational Safety and Health Administration, and John J. McMullen Associates, Incorporated, Newport News, Virginia. Further details are available on request.

Summary of Prior Coverage

No prior coverage has been conducted on the subject during the last 5 years.

Appendix B. Summary of Allegations and Audit Results

The results of the review of allegations to the Defense Hotline concerning inappropriate contractor actions on the HSMS Engineering and Technical Support Services contract are discussed below. Allegations 1 and 2 were substantiated, and allegations 3 and 4 were not substantiated. Allegation 2 is further discussed in Part I of the report.

Allegation 1. The contractor entered inaccurate data into the HSMS master database.

Audit Results. The allegation was substantiated. We determined that the contractor entered inaccurate chemical names into the HSMS chemical abstract service table, which is a part of the HSMS master database. A chemical abstract service number is associated with a specific chemical and its properties. HSMS uses chemical abstract service numbers to identify and track chemical constituents of hazardous materials. NAVSUP was aware of the problem and was working with the contractor to correct the chemical abstract service table.

Allegation 2. The contractor did not comply with numerous occupational safety and health regulations.

Audit Results. The allegation was partially substantiated. The portion of the allegation pertaining to the use of PPE and the requirement for the contractor to have a written hazard communication program and emergency action plan were substantiated. The portion of the allegation pertaining to training provided to contractor employees and compliance with other CFR standards was not substantiated.

We determined that contractor personnel did not wear adequate PPE, as required by the CFR, while inventorying hazardous materials at Navy installations in Hawaii. In addition, we determined that the contractor did not have a written hazard communication program and emergency action plan, as required by the CFR. See Part I for additional details.

We determined that contractor personnel received the minimum hazard communication training required by 29 CFR 1910.1200. In addition, we determined that the contractor was following CFR standards for recording and reporting occupational injuries and illnesses. The contractor was in compliance with CFR standards pertaining to first aid and fire extinguishers. CFR standards for machine safety; owners and operators of hazardous waste treatment, storage and disposal facilities; and emergency response did not apply to the contractor.

Allegation 3. The contractor inappropriately charged labor costs.

Audit Results. The allegation was not substantiated. We did not identify any inappropriately charged labor costs. The contract is a cost plus fixed fee contract, therefore the contractor charges for labor hours after work has been performed. The contracting officer representative certified that the labor charges were incurred by the contractor in performance of the contract. In addition, the total number of hours worked under delivery order number 32 did not exceed the amount of hours specified in the delivery order.

Allegation 4. The contractor did not want to hire the complainant, but was influenced by the Navy to do so.

Audit Results. The allegation was not substantiated. We did not identify any instances of undue influence on the part of the Navy to have the contractor hire the complainant. A contractor employee who had previously worked with the complainant recommended that the contractor hire the complainant for an engineer position. In researching the complainant's qualifications, the contractor contacted for a reference a NAVSUP employee who had previously worked with the complainant. The NAVSUP employee gave the complainant a good recommendation, but did not influence the contractor to hire the complainant.

Appendix C. Report Distribution

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Part III – Management Comments

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

NOV 4 1998

MEMORANDUM FOR DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DRAFT DEPARTMENT OF DEFENSE (DOD) INSPECTOR GENERAL (IG) AUDIT REPORT ON NAVY HAZARDOUS SUBSTANCE MANAGEMENT SYSTEMS CONTRACT (Project No. 8CK-8006)

Ref: (a) DODIG memo of 18 Sep 98

We have reviewed the finding and recommendations of the subject report forwarded by reference (a). Comments are provided in the attachment.

The point of contact is Mr. Wayne Waddle, SUP 91E, (717) 605-7471.

Elsie L. Munsell

ELSIE L. MUNSELL
Deputy Assistant Secretary of the Navy
(Environment and Safety)

Attachment

Copy to:
ASN(FM&C) (FMO)
NAVINSGEN (02)
NAVSUP (Code 91E)

DEPARTMENT OF THE NAVY RESPONSE
TO
DODIG DRAFT REPORT
NAVY HAZARDOUS SUBSTANCE MANAGEMENT SYSTEM CONTRACT
(PROJECT NO. 8CK-8006)

Finding: Hazardous Substance Management System (HSMS) Contract Implementation.

The contractor did not follow health and safety standards pertaining to personal protective equipment (PPE), hazard communication programs, and written emergency action plans required by the contract. The contractor also did not ensure that the established authorized use lists matched materials actually in use at HSMS implementation sites. In addition, contract provisions were not consistent with regulations for PPE. These conditions occurred because the Navy and the contractor either did not adequately emphasize or did not adequately understand health and safety regulations applicable to HSMS implementation. As a result, contractor employees risked exposure to hazardous materials and the Navy risked potential related health and safety claims.

Department of the Navy Comment

Nonconcur. The contractor adequately followed health and safety standards pertaining to PPE, hazard communication programs, and written emergency action plans *required by the contract*. The contractor employees were briefed on environmental and safety regulations pertinent to the material being handled. We concur with all recommendations for corrective action to ensure these specific items are adequately addressed in order to prohibit potential health or safety violations in the future.

Recommendations for Corrective Action

We recommend that the Commander, Naval Supply Systems Command (NAVSUP):

1. Modify HSMS implementation Memoranda of Agreement between NAVSUP and the installations to require Navy safety officials to:

a. Brief contractor personnel on site-specific hazardous conditions before allowing them to commence work at the site.

Department of the Navy Comment

Concur. Memoranda of Agreements with Navy HSMS activities will include safety personnel briefing contractor personnel on site-specific hazardous conditions before allowing them to commence work at the site. Estimated completion date 8 January 1999.

DEPARTMENT OF THE NAVY RESPONSE
TO
DODIG DRAFT REPORT
NAVY HAZARDOUS SUBSTANCE MANAGEMENT SYSTEM CONTRACT

b. Verify that contractor personnel use appropriate PPE as specified in material safety data sheets when handling hazardous materials.

Department of the Navy Comment

Concur. Contract will be modified to require contractor personnel to use appropriate PPE as specified in material safety data sheets when handling hazardous materials. Estimated completion date 8 January 1999.

2. Modify basic contract N00600-95-D-0290 to:

a. Require the contractor to obtain on-site briefings about hazardous conditions from installation safety personnel before commencing work at the site.

Department of the Navy Comment

Concur. Contract will be modified to require the contractor to obtain on-site briefings about hazardous conditions from installation safety personnel before commencing work at the site. Estimated completion date 8 January 1999.

b. Require the contractor to have a written hazard communication program and emergency action plan.

Department of the Navy Comment

Concur. Contract will be modified to require the contractor to have a written hazard communication program and emergency action plan. Estimated completion date 8 January 1999.

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD

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