



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



*Hotline Report:  
Operating efficiently and effectively*

# EPA Overpaid Invoices Due to Insufficient Contract Management Controls

Report No. 19-P-0157

May 20, 2019



**Report Contributors:**

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**Abbreviations**

CO	Contracting Officer
COR	Contracting Officer's Representative
CPARS	Contractor Performance Assessment Reporting System
EPA	U.S. Environmental Protection Agency
EPAAG	Environmental Protection Agency Acquisition Guide
FAR	Federal Acquisition Regulation
FY	Fiscal Year
OAS	Office of Acquisition Solutions
OEI	Office of Environmental Information
OIG	Office of Inspector General
OMS	Office of Mission Support
TOCOR	Task Order Contracting Officer's Representative

**Cover Image:** The cover image illustrates invoice noncompliance. (EPA OIG image)

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# At a Glance

## Why We Did This Project

We conducted an audit of the U.S. Environmental Protection Agency's (EPA's) contract billing controls for EPA Contract No. EP-W-11-019, Task Order 12, which was awarded in 2011. This audit was initiated in response to an anonymous hotline complaint regarding possible irregularities with contract invoicing and payments.

The purpose of this audit was to determine whether the EPA's contract administration of EPA Contract No. EP-W-11-019, Task Order 12, had effective controls over billing and funding to prevent fraud, waste and abuse. Although the contract ended in 2017, the contract is open until the indirect rates are finalized and related cost differences are paid.

### This report addresses the following:

- *Operating efficiently and effectively.*

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## EPA Overpaid Invoices Due to Insufficient Contract Management Controls

### What We Found

Contract management controls were insufficient for expired EPA Contract No. EP-W-11-019. We identified the following issues:

**All 11 invoices tested did not comply with contract requirements.**

- Required contractor performance reports were not finalized.
- There were no official contract or task order modifications for some of the Contracting Officer and Contracting Officer's Representative changes.
- Contracting Officer's Representative appointment memorandums were missing.
- Contracting Officers did not perform required periodic invoice reviews.

The issues occurred due to various reasons, such as staffing issues, high turnover within the EPA's Office of Acquisition Solutions (i.e., multiple contracting officers during the contract), contract management file disorganization, and inadequate oversight. As a result, there was a lack of available contractor performance information, reduced accountability for the EPA's contract management responsibilities, an increased risk of unauthorized acts, and a reduced assurance that costs were billed in accordance with contract requirements.

Also, the invoices for Task Order 12 did not comply with specific contract requirements to manage the task order effectively. Despite requirements for invoices to be thoroughly reviewed prior to payment, the invoices reviewed under Task Order 12 were not adequately reviewed and documentation of any reviews prior to approval, such as completed invoice review checklists, did not exist. As a result, the EPA did not have reasonable assurance that costs or a fee billed under Task Order 12 were allowable, allocable and reasonable. Our limited review of invoices under Task Order 12 found that a subcontract fixed fee totaling \$5,158.29 was overbilled.

### Recommendations and Planned Agency Corrective Actions

This report makes seven recommendations to the Assistant Administrator for Mission Support. Most of our recommendations require actions to improve contract management, internal controls and oversight. We make no recommendations related to some of the findings in this report because the contract has expired.

The EPA concurred with all seven recommendations. The EPA's proposed corrective actions and planned completion dates meet the intent of the recommendations. The EPA completed corrective actions for two recommendations; the other five are resolved with corrective actions pending.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

OFFICE OF  
INSPECTOR GENERAL

May 20, 2019

**MEMORANDUM**

**SUBJECT:** EPA Overpaid Invoices Due to Insufficient Contract Management Controls  
Report No. 19-P-0157

**FROM:** Charles J. Sheehan, Deputy Inspector General

A handwritten signature in blue ink that reads "Charles J. Sheehan".

**TO:** Donna Vizian, Principal Deputy Assistant Administrator  
Office of Mission Support

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). The project number for this audit was OA&E-FY18-0110. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Mission Support is responsible for implementing the recommendations in this report through the Office of Acquisition Solutions and the Environmental Information Offices.

In accordance with EPA Manual 2750, your office provided acceptable corrective actions and milestone dates in response to OIG recommendations. All recommendations are resolved and no final response to this report is required. However, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at [www.epa.gov/oig](http://www.epa.gov/oig).

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# Chapter 1

## Introduction

### Purpose

The Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA) conducted this audit to determine whether the EPA's contract administration of EPA Contract No. EP-W-11-019, Task Order 12, had effective controls over billing and funding to prevent fraud, waste and abuse.

### Background

The OIG audited the EPA's contract billing controls for EPA Contract No. EP-W-11-019, Task Order 12, which was awarded in fiscal year (FY) 2011 to Systems Research and Applications Corporation, located in Fairfax, Virginia. This audit was initiated in response to an anonymous hotline complaint regarding possible irregularities with contract invoicing and payments. The contract provided the EPA with a broad range of information technology and information management technical and professional services. The contract is an indefinite-delivery/indefinite-quantity contract, and Task Order 12 is a cost-plus-fixed-fee task order.

After a merger with Computer Sciences Corporation in November 2015, the contract continued under the name CSRA Inc. The contract had a contract award value of almost \$100 million and over \$1.2 million was billed under Task Order 12.

#### ***Contracting Staff Roles and Responsibilities***

A Contracting Officer (CO) is a federal employee who has the authority to enter into and administer contracts. COs are responsible for the performance of all necessary actions for effective contracting, enforcing compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.

A Contracting Officer's Representative (COR) is the authorized representative of the CO. A COR is a federal employee nominated by a supervisor and appointed in writing by the CO to assist with the technical monitoring or administration of a contract. Additionally, a Task Order Contracting Officer's Representative (TOCOR) was appointed because EPA Contract No. EP-W-11-019 used task orders. As the CO's primary representative, the contract-level COR oversees the TOCORs. Under this contract, the TOCORs generally approved invoices.

## Responsible Offices

In November 2018, during our audit, the EPA combined the Office of Administration and Resources Management and the Office of Environmental Information (OEI) to form the Office of Mission Support (OMS). The OMS is responsible for implementing the recommendations in this report through the following offices:

- The Office of Acquisition Solutions (OAS) issues policies and procedures, manages operations, and supports the agency's procurement and contracts management program from contract planning through closeout.
- Environmental Information Offices (formerly OEI) are to securely deliver quality information, technology and services to advance the overall EPA mission to protect human health and the environment.

## Scope and Methodology

We conducted this performance audit from March 2018 through February 2019 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To obtain an understanding of the contractual and acquisition requirements and internal controls, we reviewed the following documentation:

- Hotline referral.
- Contract terms and conditions.
- Task Order 12.
- Contract and Task Order 12 modifications.
- Federal Acquisition Regulation (FAR).
- EPA Acquisition Regulation.
- EPA Acquisition Guide (EPAAG).
- Internal OAS guidance documents related to contract management.
- Prior audit reports relevant to our audit objective.
- Internal control assessment reports from the Federal Managers' Financial Integrity Act.
- Roles and responsibilities within the EPA's contract management structure.

To determine whether the EPA's contract administration of Task Order 12 had effective controls over billing and funding to prevent fraud, waste and abuse, we performed the following actions:

- Interviewed the OAS Team Lead, the CO, the contract-level COR, the TOCOR for Task Order 12, and the then OEI manager.
- Reviewed a judgmental sample of 11 of 64 invoices for Task Order 12 and tested them for compliance with contract terms and conditions. Our sample concentrated on the time period highlighted in the original hotline complaint. See Table 1 for details.
- Based on the fixed fee calculation errors on the 11 invoices reviewed, we reviewed the fixed fees billed on all 64 invoices and calculated the total amount of a fixed fee overbilled under Task Order 12.

**Table 1: Task Order 12 invoices reviewed**

	Reviewed	Total
Invoices	11	64
Dollars disbursed	\$ 217,831	\$ 1,221,901
Percentage	17.83%	100%

Source: OIG sample selection.

## Prior Audit Coverage

EPA OIG Report No. [18-P-0231](#), *Without E-Invoicing and Stronger Payment Process Controls, EPA Is Placing \$1.2 Billion at Risk Annually*, issued August 16, 2018, found that the EPA can maximize the efficiency of its contract invoice payment process by focusing on four areas:

- Implementing an electronic invoicing (e-invoicing) system.
- Addressing administrative and contract modification processing errors.
- Taking prompt payment discounts offered on contract invoices.
- Performing critical CO and COR oversight duties.

The report stated that agency COs and CORs could not provide or locate documentation demonstrating the performance of their oversight duties. As of February 13, 2019, the agency reported that not all corrective actions for the recommendations had been completed.

EPA OIG Report No. [17-P-0380](#), *EPA's Alternative Dispute Resolution and Public Involvement Contract Needs Better Management*, issued September 12, 2017, found that management of EPA Contract No. EP-W-14-020 needed to improve to comply with contractual and acquisition requirements. For example:

- The CO did not perform invoice reviews in a timely manner as required by the EPAAG.

- The CO did not issue the COR appointment memorandum in a timely manner as required by the FAR and the EPAAG.

The agency reports that corrective actions for all of the recommendations have been completed.

EPA OIG Report No. [16-P-0078](#), *EPA's Background Investigation Support Contracts and OPM Billings Need Better Oversight and Internal Controls*, issued December 14, 2015, found that the EPA did not monitor the support contract for compliance with contract terms and conditions. The report found that:

- The COs did not perform invoice reviews.
- The COR did not maintain proper contract documentation.

The agency reports that corrective actions for all of the recommendations have been completed.

## Chapter 2

### Expired EPA Contract No. EP-W-11-019 Had Insufficient Contract Management Controls

Contract management controls were insufficient for expired EPA Contract No. EP-W-11-019. We identified the following issues during our audit:

- Required contractor performance reports were not finalized.
- There were no official contract or task order modifications for some CO and COR changes.
- COR appointment memorandums were missing.
- COs did not perform required periodic invoice reviews.

The issues occurred due to various reasons, such as staffing issues, high turnover within the OAS (i.e., multiple COs during the contract), contract management file disorganization, and inadequate oversight. As a result, there was a lack of available contractor performance information, reduced accountability for the EPA's contract management responsibilities, an increased risk of unauthorized acts, and a reduced assurance that costs were billed in accordance with contract requirements.

#### Contractor Performance Assessment Reporting System Reports Were Not Finalized

Contract Section H.7 states that the CO shall complete a Contractor Performance Assessment Reporting System (CPARS) report within 90 business days after the end of each 12 months of contract performance (interim report) or after the last 12 months (or less) of contract performance (final report).

FAR 42.1502(a) states:

Past performance evaluations shall be prepared at least annually and at the time the work under a contract or order is completed. ... Past performance information shall be entered into CPARS, the Governmentwide evaluation reporting tool for all past performance reports on contracts and orders.

FAR 42.1503(f) states:

Agencies shall prepare and submit all past performance evaluations electronically in the CPARS at <http://www.cpars.gov/>.

The OAS team lead provided CPARS reports for FYs 2014, 2015 and 2016. The FY 2016 CPARS report for the period of performance ending January 31, 2016, shows a status of “Incomplete-Initiated,” meaning it was never finalized. Also, the FY 2016 CPARS report was the last one initiated, even though the contract was extended to January 31, 2017. Based on explanations provided by the contract-level COR and CO, we concluded that not finalizing the FY 2016 CPARS report and not completing the FY 2017 report was an oversight.

### ***Delayed Reporting Hinders Access to Contractor Performance Information***

Delayed CPARS reporting has the following potential effects:

- It reduces the ability of both internal and external source selection officials and others involved in the acquisition process to obtain access to sufficient contractor performance information.
- It hinders improvement in government acquisition practices.

In response to our discussion document issued to the agency on September 28, 2018, the OAS plans to re-emphasize the critical importance of performing CPARS responsibilities in accordance with applicable laws, the FAR, and agency regulations and policies. The OAS will accomplish this by issuing a memorandum that addresses the responsibilities of OAS Division Directors and Regional Acquisition Managers.

### ***Recommendations***

We recommend that the Assistant Administrator for Mission Support:

1. Require the Office of Acquisition Solutions to issue a memorandum to its Division Directors and Regional Acquisition Managers emphasizing the importance of their contractor performance reporting responsibilities.
2. Establish internal controls to verify that all required Contractor Performance Assessment Reporting System reports are finalized. Complete fiscal years 2016 and 2017 reports for the contract audited.

### ***Agency Response and OIG Evaluation***

The agency concurred with Recommendation 1 and completed corrective action on March 25, 2019. On that date, the OAS Director, who is the Senior Procurement Executive, issued an email memorandum to OAS Division Directors and Regional Acquisition Managers. The memorandum emphasized the importance of their contractor performance reporting responsibilities. The agency’s corrective action

meets the intent of Recommendation 1. The OIG considers Recommendation 1 completed.

The agency concurred with Recommendation 2 and provided a corrective action plan with a milestone date of June 28, 2019. The agency's proposed corrective actions and planned completion date meet the intent of Recommendation 2. The OAS will re-emphasize the verification of timely CPARS completion during the conduct of internal control assessments. The OAS contracting office with cognizance (responsibility) over the audited contract will be required to submit a supplement to its Contract Management Assessment Program's Internal Control Plan to the OAS Deputy Director. The supplement must provide a detailed plan to consistently address and execute the timely completion of CPARS. The CO assigned throughout the contract closeout will be assigned to review any incomplete reports that still need to be finalized in accordance with FAR 42.1502(a) and EPAAG subsection 42.15.1.

## **There Were No Contract Modifications Issued for Some CO and COR Changes**

Based on the FAR, changes in administrative contract staff, such as COs and CORs, are administrative changes requiring the issuance of a modification to the contract or task order:

- FAR 43.101 states that "Administrative change" means a written, unilateral contract change that does not affect the rights of the parties.
- FAR 43.103(b) states that a unilateral modification is a contract modification signed only by the contracting officer.
- FAR 43.103(b)(1) states that unilateral modifications are used to make administrative changes.

There were multiple COs while the contract was active. However, there were no official contract modifications for some of the CO changes. In addition, there was no task order modification to change the TOCOR for Task Order 12 to the contract-level COR.

The lack of contract modifications for administrative changes in COs is due to staffing issues, high turnover within the OAS, contract management file disorganization and inadequate oversight. As a result, there is incomplete contract documentation to identify the responsible administrative contract staff. This hinders accountability for the EPA's contract management responsibilities.

In response to our discussion document, the OAS stated that it is currently experiencing staffing issues that impact and pose challenges to its operations, including the processing of modifications. To keep up with work demands, the

OAS indicated that its components have used matrixing techniques where staff are “tasked” across the various OAS branches to allow for a more efficient use of time and resources.

The processing of administrative actions on contracts or task orders may be performed by any available warranted CO and does not generally require issuing an administrative modification to replace or rename a permanent CO. However, the OAS concurred that when a contract or task order is permanently moved from one division to another or from one branch to another, or when a particular CO will administer a contract/task order for a reasonably extended amount of time, a contract/task order modification must be issued. The modification is included in the official file to maintain stability and clearly identify which CO, branch and division is ultimately responsible and accountable for the contract or task order.

### ***Recommendation***

We recommend that the Assistant Administrator for Mission Support:

3. Issue a contract modification to identify the responsible Contracting Officer through contract closeout.

### ***Agency Response and OIG Evaluation***

The agency concurred with Recommendation 3 and completed corrective action on May 8, 2019. On that date, the agency issued a contract modification to assign the responsible CO through contract closeout.

## **COR Appointment Memorandums Were Missing**

FAR 1.602-2(d) requires that COs, in accordance with agency procedures, designate and authorize in writing a COR for all contracts other than firm-fixed-price contracts, unless the CO retains and executes the COR duties.

EPAAG 1.6.5 describes a TOCOR as a task order COR appointed by the CO who may receive the same authority as the COR. In addition, EPAAG requirements for documenting a COR or TOCOR appointment memorandum include the following:

- EPAAG 1.6.5.5(a) states that “the CO shall appoint a certified COR on all contracts, purchase orders, work assignments, and delivery/task orders greater than the simplified acquisition threshold.”
- EPAAG 1.6.5.5(d) states that “the CO shall specify the COR’s responsibilities in a COR appointment memorandum.”

- EPAAG 1.6.5.6(b) (10) states that “the COR shall maintain a file for each assigned contract.”
- EPAAG 1.6.5.6(b) (10) (iii) states that the file must include “a copy of the CO’s appointment memorandum of designation describing the COR’s duties and responsibilities.”
- EPAAG 1.6.5.10(d) (13) states that “the CO shall maintain a signed copy of each COR’s Nomination Form, Appointment Memorandum, and all other appointment notification letters in the official contract file.”

The EPA was unable to find the COR nomination or appointment memorandums for either the contract-level COR or the TOCOR for Task Order 12. The lack of COR appointment memorandums appears to be due to an oversight.

For example, the OAS team lead stated that “this contract has been passed around so much and these [memorandums] are not in the file. When someone inherits a contract, the person should review everything. This did not happen.”

In another instance, when the CO was asked if the appointment/nomination memorandums existed, he stated that “if they exist, they would be in the official paper files”; however, none were present. The CO also stated, “there was some disorganization with the CO changes, moving to the EPA Acquisition System, and we moved twice.”

In addition, the contract-level COR stated that that the COR “did not know where to find anything from the contract.”

### ***Lack of COR Appointment Memorandums Increases the Risk of Unauthorized Acts***

Without COR appointment memorandums, the COR/TOCOR performed contract functions without the proper authority to act on behalf of the CO. Without an appointment memorandum, the contractor and COR may not know the extent and limitations of the COR’s authority and may not be familiar with the requirements of the contract. The lack of COR appointment memorandums increases the risk that the COR could be held personally liable for unauthorized acts.

*Note: We make no recommendation related to this finding because the contract has ended.*

## **Contracting Officers Did Not Perform Periodic Invoice Reviews**

EPAAG 32.9.1.5(b)(4) states that “the responsibility for invoice review and approval is first vested with the CO, but with the CO’s approval, may be delegated to the COR.” However, even if invoice approval is delegated to the

COR, the CO is still required to perform periodic invoice reviews. Both EPAAG 32.9.1.5(b)(4) and the OAS *Invoice Review & Approval Desk Guide* state:

A CO's periodic monitoring must include at least one detailed review of a contract invoice for each contract year. However, for many contract types one review may not be sufficient. In these instances, if more frequent monitoring is required to ensure proper invoice approval, the CO must conduct additional invoice reviews. The CO has the ultimate responsibility and accountability for invoice processing under individual contracts. It is highly recommended that the CO perform these reviews at least quarterly, or more frequently as needed.

There is no supporting documentation or evidence in the contract files of any periodic CO invoice reviews, as required by the OAS *Invoice Review & Approval Desk Guide*. The lack of periodic CO invoice reviews occurred for various reasons, such as staffing issues, high turnover within the OAS (i.e., multiple COs during the contract), and contract management file disorganization.

Without the required CO invoice reviews, the EPA did not provide necessary assurance that costs were billed in accordance with contract requirements. Had the CO performed the required invoice reviews, some of the noncompliant invoices (e.g., invoices missing required data or invoices with incorrect indirect rates or fees) may have been detected (see Chapter 3).

*Note: We make no recommendation related to this finding because the contract has ended.*

## **Chapter 3**

### **Inadequate Invoice Reviews Resulted in Noncompliant Invoices that Were Not Detected**

Invoices for Task Order 12 did not comply with specific contract requirements to manage the task order effectively. Despite requirements for the invoices to be thoroughly reviewed prior to payment, the invoices reviewed under Task Order 12 were not adequately reviewed and documentation of any reviews prior to approval, such as completed invoice review checklists, did not exist. As a result, the EPA did not have reasonable assurance that the costs or fees billed under Task Order 12 were allowable, allocable and reasonable. Our limited review of invoices under Task Order 12 found a total of \$5,158.29 for an overbilled subcontract fixed fee.

#### **EPA Requires Thorough and Documented Contract Invoice Reviews**

EPAAG 32.9.1.5(a) states:

It is the policy of the government to review invoices thoroughly for cost reasonableness and to process invoice submittals in a timely manner. Adherence to this policy will result in payment of costs which are allowable, allocable, and reasonable, and avoid interest penalties due to late payment of such costs. Approving officials involved in invoice reviews must (1) review contract invoices thoroughly, (2) process invoices in a timely manner, and (3) maintain records of their invoice reviews and actions taken as a result of the reviews. It is important that invoice charges be closely examined and contractor costs questioned, suspended, or disallowed, when appropriate.

Similarly, the OAS *Invoice Review & Approval Desk Guide* states:

It is EPA's policy to review invoices thoroughly to ensure that adequate information, proper rationale, and documentation exists to support payment of contractor invoices in a timely manner. Adherence to this policy will result in payment of costs which are allowable, allocable, and reasonable. ... All CORs must document in their files that invoice reviews were performed. A file of all invoices, monthly progress reports, invoice review checklists, and all other documentation associated with the reviews must be maintained for the life of the contract or applicable records retention requirements, whichever is longer.

The guide is silent on whether TOCORs are required to use the TOCOR “Checklist for Invoice Review” when reviewing and approving task order invoices. However, even if the use of the checklist is not required, we believe that the checklist is a good internal control tool to use when reviewing and approving invoices. The checklist also serves as supporting documentary evidence that a review was performed.

EPAAG 1.6.5.14(a) states:

This section concerns the removal of a COR from all Agency contracts for cause, such as performance or conduct reasons. The OAS Director may permanently remove a COR’s eligibility to serve on all Agency acquisitions for: (1) Violation of Federal or Agency acquisition regulations and/or policies; or (2) Failure to comply with Standards of Ethical Conduct for Employees of the Executive Branch.

## Invoices Did Not Comply with Contract Terms and Conditions

All 11 invoices reviewed did not comply with contract requirements. We found the following:

- Per contract section B.1(f), the subcontractor fee should only be 6 percent, but the contractor billed an 8-percent fee on the entire invoice for three of the 11 invoices tested.** Based on the findings for the three invoices tested, we reviewed all Task Order 12 invoices with subcontract labor. The contractor charged 8 percent instead of 6 percent on subcontractor costs. In later invoices, the contractor tried to correct the problem but did not provide any detail in the invoice as to how or why the fixed fee was adjusted. We calculated the 2-percent fixed fee overbilled. We also provided credit for all the unknown adjustments the contractor made on later invoices. We then calculated a fixed fee overbilling of \$5,158.29. See Table 2 below for details.

**Table 2: Fixed fee overbilled on Task Order 12**

SF-1034 voucher number	Overbilled
OIG sample: 48, 51, 57	\$ 930.09
Non-sample: 31–47, 49, 50, 53–56	4,228.20 <sup>a</sup>
<b>Total fixed fee overbilled</b>	<b>\$ 5,158.29</b>

Source: OIG analysis.

<sup>a</sup> Invoice 52 fixed fee was excluded as the invoice was not paid through the EPA’s Contract Payment System.

- Billed indirect costs did not match the approved rates for all 11 invoices tested.** In addition, there was insufficient information regarding the base to apply to each of the indirect rates to determine the indirect costs that should have been billed.

- **For all 11 invoices tested, the invoices did not include the details required for indirect costs (e.g., the rate and the base to apply to the indirect rates).** This is required per the contract’s invoice preparation instructions.
- **Unexplained differences occurred in direct contractor labor rates for eight of the nine invoices with labor charges.** No explanation was provided for the fluctuation in labor rates for the same contract staff.
- **Invoices combined subcontractor and contractor direct labor to calculate total direct labor.** This was misleading and made the invoices more difficult to review. The subcontract labor had to be removed from direct labor to calculate contractor’s indirect expenses and a separate fixed fee.
- **Per contract section F.2, noncompliance occurred with monthly progress report requirements for all nine regular monthly invoices tested.** Two invoices tested would not require a progress report because they were indirect rate adjustments. The other nine invoices tested should have provided additional information to support the indirect calculations included in the final approved indirect rates, the base for the period of the applicable rates, the billed indirect rates and the reconciliation. The EPA did not receive some of the required information needed to manage the task order effectively because of incomplete monthly progress reports.

During our review of the 11 invoices, we noted that Invoice 51 was paid over 20 months after submission. The TOCOR did not approve the invoice due to inadequate support in November 2015. After the then OEI manager removed the TOCOR from the project, the contract-level COR incorrectly approved the original invoice in August 2017 for \$6,269. The contract states that when an original voucher is submitted but not paid the resubmission should be a separate invoice showing the original voucher number and designated with the letter “R,” along with a copy of the removal of suspension notice and appropriate supplemental schedules. The resubmission of this voucher did not designate the letter “R,” update the date, explain the suspension removal or include the supplemental schedules per the contract requirements.

### ***Lack of Invoice Review and Supporting Documentation***

Multiple causes contributed to the noncompliant invoices:

- There was no supporting documentation for Task Order 12 invoice reviews prior to approval, such as completed invoice review checklists.
- The TOCOR felt pressured by the then OEI manager to pay the contractor. After the manager informally removed the TOCOR for not paying the

invoices that lacked adequate support, the manager requested the contract-level COR to pay the invoices.

- The contract-level COR was not familiar with the OAS desk guide for reviewing invoices. The contract-level COR stated that they paid invoices based on the request from the then OEI manager and they did not review anything prior to invoice approval other than making sure there was sufficient funding to pay the invoice.

### ***Lack of Assurance that Costs Were Allowable***

As a result of the lack of invoice review by the COR and TOCOR, the EPA does not have reasonable assurance that the billed costs and fee are allowable, allocable and reasonable. Our limited review noted \$5,158.29 for an unallowable fixed fee billed and paid by the EPA. However, without adequate review of all invoices submitted under Task Order 12, the EPA does not know whether there are further unallowable costs that it has paid for under the task order.

In response to our discussion document, the OAS stated that it would investigate and determine whether the contractor overbilled the EPA and whether the EPA overpaid the contractor. The OAS also stated that all contract/task order actions that are required to be closed out must be reviewed and documented using a contract closeout checklist from the EPAAG. The contractor will be required to comply with all contract terms and conditions. Since Task Order 12 is a cost-type contract, a final audit (whether formal audit or desk review) is performed and all questioned costs must be resolved.

### ***Recommendations***

We recommend that the Assistant Administrator for Mission Support:

4. Require the contractor to refund the \$5,158.29 fixed fee overbilled to the EPA under Task Order 12.
5. Prior to contract closeout, review all Task Order 12 invoices to verify that costs billed on the contract (e.g., indirect costs) are allowable. Report any improperly paid costs to the EPA's Office of Inspector General and recoup overpayments.
6. Revoke the certification of the contract-level Contracting Officer's Representative responsible for paying invoices without adequate review.
7. Investigate the circumstances surrounding the then Office of Environmental Information manager involved with these contract transactions and determine whether the manager's actions were appropriate. If not, implement appropriate actions.

### ***Agency Response and OIG Evaluation***

The agency concurred with Recommendation 4 and provided a corrective action plan with a milestone date of September 30, 2019. The OAS will review the actual invoices and obtain a refund. This corrective action will be completed in conjunction with Recommendation 5, wherein the OAS will review all Task Order 12 invoices. Completion of that action will include resolution of the fee overbilling cited under Recommendation 4, as well as identify and recoup any other improperly paid costs or overpayments.

The agency concurred with Recommendation 5 and provided a corrective action plan with a milestone date of September 30, 2019. As recommended, the OAS will examine all invoices under Task Order 12 to assure that all costs billed are allowable. Any improperly paid costs will be reported to the OIG and overpayments will be recouped.

The agency concurred with Recommendation 6 and provided a corrective action plan with a milestone date of June 28, 2019. The OAS has notified leadership in the OMS-Environmental Information Offices that OAS intends to carry out the OIG recommendation to revoke the certification of the cited contract-level COR.

The agency concurred with Recommendation 7 and provided a corrective action plan with a milestone date of June 28, 2019. As recommended, the OAS will investigate and interview the manager involved with the contract transactions and determine whether the manager's actions were appropriate. If it is determined that the manager's actions were not appropriate, the OAS will coordinate with OMS senior leadership regarding the implementation of appropriate actions.

The complete OMS response to the draft report is in Appendix A.

# **Status of Recommendations and Potential Monetary Benefits**

## RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status <sup>1</sup>	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	6	Require the Office of Acquisition Solutions to issue a memorandum to its Division Directors and Regional Acquisition Managers emphasizing the importance of their contractor performance reporting responsibilities.	C	Assistant Administrator for Mission Support	3/25/19	
2	6	Establish internal controls to verify that all required Contractor Performance Assessment Reporting System reports are finalized. Complete fiscal years 2016 and 2017 reports for the contract audited.	R	Assistant Administrator for Mission Support	6/28/19	
3	8	Issue a contract modification to identify the responsible Contracting Officer through contract closeout.	C	Assistant Administrator for Mission Support	5/8/19	
4	14	Require the contractor to refund the \$5,158.29 fixed fee overbilled to the EPA under Task Order 12.	R	Assistant Administrator for Mission Support	9/30/19	\$5
5	14	Prior to contract closeout, review all Task Order 12 invoices to verify that costs billed on the contract (e.g., indirect costs) are allowable. Report any improperly paid costs to the EPA's Office of Inspector General and recoup overpayments.	R	Assistant Administrator for Mission Support	9/30/19	*
6	14	Revoke the certification of the contract-level Contracting Officer's Representative responsible for paying invoices without adequate review.	R	Assistant Administrator for Mission Support	6/28/19	
7	14	Investigate the circumstances surrounding the then Office of Environmental Information manager involved with these contract transactions and determine whether the manager's actions were appropriate. If not, implement appropriate actions.	R	Assistant Administrator for Mission Support	6/28/19	

<sup>1</sup> C = Corrective action completed.  
R = Recommendation resolved with corrective action pending.  
U = Recommendation unresolved with resolution efforts in progress.

\* To be determined.

## Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

MAR 27 2019

OFFICE OF MISSION SUPPORT

### MEMORANDUM

**SUBJECT:** Agency Response to Office of Inspector General Draft Report No. OA&E-FY18-0110 "EPA Overpaid Invoices Due to Insufficient Contract Management Controls," dated February 20, 2019

**FROM:** Donna J. Vizian, Principal Deputy Assistant Administrator 

**TO:** Michael Petscavage, Director  
Contract and Assistance Agreement Directorate  
Office of Audit and Evaluation  
Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject audit report. In response to the Office of Inspector General's recommendations, the Office of Mission Support has provided high-level corrective actions and estimated completion dates.

If you have any questions for the Office of Mission Support regarding this response, please contact Celia M. Vaughn, Chief of Staff, Office of Acquisition Solutions, at (202) 564-1047.

#### Attachment

cc: Wesley Carpenter  
Kimberly Patrick  
Pam Legare  
Lynnann Hitchens  
Janice Jablonski  
Celia Vaughn  
Raoul D. Scott, Jr.  
Catherine Allen  
Melinda Burks  
Heriberto Ibarra  
Michael Petscavage  
Marian Cooper  
Marilyn Armstrong  
Bobbie Trent

## AGENCY'S RESPONSE TO REPORT RECOMMENDATIONS

No.	Recommendation	Assigned to:	High-Level Intended Corrective Actions	Estimated Completion by Quarter and FY
1	Require the Office of Acquisition Solutions to issue a memorandum to its Division Directors and Regional Acquisition Managers emphasizing the importance of their contractor performance reporting responsibilities.	OMS	OMS concurs with the recommendation. OMS issued a memorandum on March 25, 2019 to its Division Directors and Regional Acquisition Managers emphasizing the importance of their contractor performance reporting responsibilities.	Completed March 25, 2019
2	Establish internal controls to verify that all required Contractor Performance Assessment Reporting System reports are finalized. Complete the 2016 and 2017 reports for the contract audited.	OMS	OMS concurs with this recommendation to provide specific internal controls for ensuring that OAS completes Contractor Performance Assessment Reports. Although CPARS reviews are already a part of OAS's Contract Management Assessment Program and the cornerstone of OAS's Performance Management System, OAS will re-emphasize the verification of timely CPARS completion during the conduct of internal control assessments. The OAS contracting office with cognizance over the audited contract (Contract No. EP-W-11-019), will require its submission of a supplement to its CMAP Internal Control Plan to the OAS Deputy Director. The supplement must address in detail a plan to consistently	June 28, 2019

No.	Recommendation	Assigned to:	High-Level Intended Corrective Actions	Estimated Completion by Quarter and FY
			address and execute the timely completion of CPARS. The contracting officer assigned under OIG Recommendation #3 will be assigned to review any incomplete reports that still need to be finalized in accordance with FAR 42.1502(a) and EPAAG subsection 42.15.1.	
3	Issue a contract modification to identify the responsible Contracting Officer through contract closeout.	OMS	OMS concurs with this finding. A contract modification will be issued to assign the responsible CO through contract close-out.	April 5, 2019
4	Require the contractor to refund the \$5,158.29 fixed fee overbilled to the EPA under Task Order 12.	OMS	OMS concurs with the recommendation to review the actual invoices and obtain a refund. This corrective action will be completed in conjunction with Recommendation #5 wherein OAS will review all Task Order 12 invoices. Completion of that action will encompass resolution of the fee overbilling cited under Recommendation #4, as well as identify and recoup any other improperly paid costs or overpayments.	September 30, 2019
5	Prior to contract closeout, review all Task Order 12 invoices to verify that costs billed on the contract (e.g., indirect costs) are allowable. Report any improperly paid costs to the EPA's Office of Inspector	OMS	OMS concurs with this recommendation and will examine all invoices under task order 12 to assure that all costs billed are allowable. Any improperly paid costs will be reported to EPA's Office of Inspector General and overpayments will be recouped.	September 30, 2019

No.	Recommendation	Assigned to:	High-Level Intended Corrective Actions	Estimated Completion by Quarter and FY
	General and recoup overpayments.			
6	Revoke the certification of the contract-level Contracting Officer's Representative responsible for paying invoices without adequate review.	OMS	OMS concurs with the recommendation. OAS has notified OMS-EI leadership of its intention to carry out the OIG recommendation to revoke the certification of the cited contract-level contracting officer's representative.	June 28, 2019
7	Investigate the circumstances surrounding the Office of Environmental Information manager involved with these contract transactions and determine whether the manager's actions were appropriate. If not, implement appropriate actions.	OMS	OMS concurs with the recommendation. OAS will investigate and interview the manager involved with the contract transactions, as described under Chapter 3 of the audit report, and determine whether the manager's actions were appropriate. If it is determined that the manager's actions were not appropriate, OAS will coordinate with OMS senior leadership regarding the implementation of appropriate actions.	June 28, 2019

## ***Distribution***

The Administrator  
Associate Deputy Administrator and Chief of Operations  
Chief of Staff  
Deputy Chief of Staff  
Assistant Administrator for Mission Support  
Principal Deputy Assistant Administrator for Mission Support  
Agency Follow-Up Official (the CFO)  
Agency Follow-Up Coordinator  
General Counsel  
Associate Administrator for Congressional and Intergovernmental Relations  
Associate Administrator for Public Affairs  
Deputy Assistant Administrator for Administration and Resources Management, Office of Mission Support  
Deputy Assistant Administrator for Environmental Information and Chief Information Officer, Office of Mission Support  
Director and Chief Information Security Officer, Office of Information Security and Privacy, Office of Mission Support  
Director, Office of Resources and Business Operations, Office of Mission Support  
Director, Office of Acquisition Solutions, Office of Mission Support  
Audit Follow-Up Coordinator, Office of the Administrator  
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