



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

***Hotline Report:
Operating efficiently and effectively***

EPA's Lack of Oversight Resulted in Serious Issues Related to an Office of Water Contract, Including Potential Misallocation of Funds

Report No. 20-P-0331

September 25, 2020



Report Contributors:

Kevin Chaffin
Komlan Gbezan
Doug LaTessa
Chikara Mbah
Patrick McIntyre
Michael Petscavage
Khadija Walker

Abbreviations

C.F.R.	Code of Federal Regulations
CL-COR	Contract-Level Contracting Officer's Representative
EPA	U.S. Environmental Protection Agency
EPAAG	Environmental Protection Agency Acquisition Guide
OIG	Office of Inspector General
WACOR	Work Assignment Contracting Officer's Representative
U.S.C.	United States Code

Cover Photo: The Washington Aqueduct, which provides the public water supply system serving Washington, D.C., and parts of its suburbs. (EPA photo)

Are you aware of fraud, waste, or abuse in an EPA program?

EPA Inspector General Hotline

1200 Pennsylvania Avenue, NW (2431T)
Washington, D.C. 20460
(888) 546-8740
(202) 566-2599 (fax)

OIG_Hotline@epa.gov

Learn more about our [OIG Hotline](#).

EPA Office of Inspector General

1200 Pennsylvania Avenue, NW (2410T)
Washington, D.C. 20460
(202) 566-2391
www.epa.gov/oig

Subscribe to our [Email Updates](#)
Follow us on Twitter [@EPAoig](#)
Send us your [Project Suggestions](#)



At a Glance

Why We Did This Project

We conducted an audit of the U.S. Environmental Protection Agency's management of Contract No. EP-C-16-001, which was awarded in December 2015 to Northbridge Group. This audit was initiated in response to a hotline complaint regarding possible irregularities in the EPA's funding practices and payment of invoices for the contract.

The purpose of this audit was to determine whether:

1. EPA funding actions are allowable or pose risks to the Agency.
2. Invoices are being approved and paid without proper review of costs.

This report addresses the following:

- *Operating efficiently and effectively.*

This report addresses a top EPA management challenge:

- *Complying with internal control (policies and procedures).*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

List of [OIG reports](#).

EPA's Lack of Oversight Resulted in Serious Issues Related to an Office of Water Contract, Including Potential Misallocation of Funds

What We Found

The EPA's management of Contract No. EP-C-16-001 lacked sufficient controls. For example, EPA contracting staff:

- Potentially misallocated funds for the contract.
- Violated the Inspector General Act of 1978, as amended, by destroying certain requested documents. As a result, neither the Agency nor the OIG can determine how the Agency allocated over \$10 million of EPA funds for Contract No. EP-C-16-001.
- Paid invoices without input from the EPA staff more familiar with Northbridge's work. In some cases, these EPA staff did not receive the invoices to review and approve until months after the invoices were paid.
- Did not perform detailed reviews of invoices. Had contracting staff thoroughly reviewed Northbridge's invoices when they were submitted, the Agency could have questioned why Northbridge was using more costly labor than originally estimated. The Agency also could have saved up to \$565,529 on direct labor and associated overhead over three years if Northbridge had used its less costly labor, as originally estimated.
- Did not conduct required records inspections of Contract No. EP-C-16-001.

Improved contract management will help the EPA become a better fiscal steward and potentially save millions of taxpayer dollars.

These issues occurred because (1) contracting and program staff did not follow established policies and procedures for tracking funding decisions; (2) the contract-level contracting officer's representative did not provide recommended checklists to contracting staff, who consequently did not adequately monitor the invoices; and (3) contracting staff were not aware of EPA guidance regarding inspection requirements.

Recommendations and Planned Agency Corrective Actions

After we discussed our audit findings with the Agency, the EPA completed corrective actions addressing some of our findings before we issued our draft report. As a result, we have not issued recommendations regarding those findings. To address our remaining findings, we make six total recommendations to the assistant administrator for Water and the assistant administrator for Mission Support, including taking action to improve contract management and holding the EPA accountable for potential misallocation of funds on Contract No. EP-C-16-001. The Agency disagreed with two and agreed with four of our recommendations. The Agency did not, however, provide acceptable corrective actions for one of the agreed-to recommendations. Therefore, three of our six recommendations are unresolved with resolution efforts in progress.



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

THE INSPECTOR GENERAL

September 25, 2020

MEMORANDUM

SUBJECT: EPA's Lack of Oversight Resulted in Serious Issues Related to an Office of Water Contract, Including Potential Misallocation of Funds
Report No. 20-P-0331

FROM: Sean W. O'Donnell

A handwritten signature in blue ink that reads "Sean W O'Donnell".

TO: David P. Ross, Assistant Administrator
Office of Water

Donna J. Vizian, Principal Deputy Assistant Administrator
Office of Mission Support

This is our report on the subject audit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The project number for this audit was OA&E-FY18-0234. This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

We issued six recommendations in this report. The Office of Water completed corrective actions addressing Recommendation 4, and the Office of Mission Support provided acceptable planned corrective actions and estimated milestone dates for Recommendations 5 and 6. In accordance with EPA Manual 2750, Recommendation 4 is completed, and Recommendations 5 and 6 are resolved. No further response is required for these three recommendations. However, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response.

Action Required

The Office of Water disagreed with Recommendation 1 and did not provide acceptable planned corrective actions for Recommendation 3. The Office of Mission Support disagreed with Recommendation 2. These three recommendations are therefore unresolved. We request a written response to the final report within 60 days of this memorandum. Your response 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. If resolution is still not reached, the Office of Water and the Office of Mission Support, respectively, are required to complete and submit a dispute resolution request to the chief financial officer.

We will post this report to our website at www.epa.gov/oig.

Table of Contents

Chapters

1	Introduction	1
	Purpose	1
	Background	1
	Responsible Offices	2
	Scope and Methodology	2
	Prior Audit Coverage	5
2	EPA’s Insufficient Monitoring and Document Retention Caused Potential Misallocation of Contract Funds; EPA Violated the Inspector General Act	6
	EPA Established Policies and Procedures to Verify Proper Accounting	6
	Agency Did Not Maintain Documentation to Support Transactions	7
	Agency May Need to Recoup Funds from States	8
	CL-COR Violated the Inspector General Act	10
	CL-COR Potentially Violated Federal Records Act and National Archives and Records Administration Regulations	10
	Recommendations	12
	Agency Response and OIG Assessment	12
3	EPA Paid Invoices Without Required Input	14
	EPA Guidance Provides for WACORS to Recommend Invoice Approval	14
	CL-COR Paid Invoices Without Required Input	15
	WACORS Did Not Provide Required Input to CL-COR	15
	EPA Did Not Fulfill Its Invoice Review Obligations	16
	Agency Actions in Response to Audit Findings	16
	Recommendation	17
	Agency Response and OIG Assessment	17
4	EPA Did Not Perform Detailed Invoice Reviews to Assess Labor Used	18
	EPA Provides Guidance on Reviewing Invoices	18
	Northbridge Required to Estimate Labor Hours	19
	Northbridge’s Use of Most Expensive Labor Category Exceeded Estimates	19
	EPA Staff Did Not Perform Detailed Invoice Reviews	21
	EPA Could Have Saved Up to \$565,529 on Direct Labor and Overhead ...	21
	Recommendation	22
	Agency Response and OIG Assessment	22

-- continued --

5	Contracting Officer Did Not Conduct Required Records Inspections	23
	EPAAG Requires Contracting Officer to Inspect Records.....	23
	Contracting Officer Did Not Conduct Records Inspections.....	23
	Financial Tracking Discrepancies Were Not Discovered.....	24
	Recommendations	24
	Agency Response and OIG Assessment	24
	Status of Recommendations and Potential Monetary Benefits	25

Appendices

A	Agency Response to Draft Report.....	26
B	Distribution	37

Chapter 1

Introduction

Purpose

The Office of Inspector General for the U.S. Environmental Protection Agency conducted this audit of contract compliance for EPA Contract No. EP-C-16-001, which was awarded to Northbridge Group. The audit was initiated in response to a hotline complaint received by the OIG. The OIG’s objectives were to determine whether

- (1) EPA funding actions are allowable or pose risks to the Agency and
- (2) invoices are being approved and paid without proper review of costs.

Top Management Challenge

This audit addresses the following top management challenge for the Agency, as identified in OIG Report No. [20-N-0231](#), *EPA’s FYs 2020–2021 Top Management Challenges*, issued July 21, 2020:

- Complying with internal control (policies and procedures).

Background

On December 1, 2015, the EPA awarded Contract No. EP-C-16-001 to Northbridge. This contract is a cost-reimbursable term contract with work assignments funded by multiple appropriations (Table 1).

Table 1: Contract No. EP-C-16-001 invoices as of September 17, 2020

Period*	Start date	End date	Number of invoices	Total paid amount
Base	12/1/15	11/30/16	13	\$2,516,407.45
Option Period 1	12/1/16	11/30/17	12	2,436,905.81
Option Period 2	12/1/17	11/30/18	12	2,479,131.13
Option Period 3	12/1/18	11/30/19	12	1,923,037.69
Option Period 4	12/1/19	11/30/20	8	859,544.55
Total (as of 09/15/20)			57	\$10,215,026.63

Source: OIG analysis of Contract No. EP-C-16-001 invoices. (EPA OIG table)

*Option Period 4, which began 12/1/19, was still active during our audit.

The objective of the contract is to provide support services to the EPA’s Office of Water for the implementation of municipal wastewater and drinking water programs. Under this contract, the EPA establishes work assignments that require the contractor to communicate methodologies and alternatives to promote

Cost-reimbursable contracts place more of the risk for cost and performance on the government and require the highest level of government oversight to ensure the receipt of quality services at a reasonable cost.

compliance with the Clean Water Act and Safe Drinking Water Act requirements, in accordance with all applicable laws and regulations. Work assignments are projects that have their own estimated required labor hours, periods of performance, schedules of deliverables, and statements of work to be performed under the overall contract.

Specifically, under this contract, Northbridge provides:

- Financial analysis.
- Technical support for the [Clean Water](#) and [Drinking Water](#) state revolving fund programs.
- Technical support for state programs.
- Technical support for the [Green Infrastructure](#), the [Smart Growth](#), and other initiatives.
- Technical support for the [Special Appropriation Act Projects](#).
- Development and implementation support for the [Water Infrastructure Finance and Innovation Act](#).
- Information materials.
- Audiovisual materials.
- Support for meetings, briefings, workshops, and conferences.

Responsible Offices

The EPA's Office of Acquisition Solutions, within the Office of Mission Support, is responsible for planning, awarding, and administering contracts for the EPA, including issuing and interpreting acquisition regulations, administering training for contracting and program acquisition personnel, providing advice and oversight to regional procurement offices, and providing information technology improvements for acquisition.

The Office of Water ensures that the nation's drinking water is safe. The office also restores and maintains oceans, watersheds, and aquatic ecosystems to protect human health; to support economic and recreational activities; and to provide healthy habitat for fish, plants, and wildlife.

Scope and Methodology

We conducted this performance audit from June 2018 through May 2020 in accordance with generally accepted government auditing standards.¹ 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We encountered an impediment to obtaining all the requested information to complete our audit. Specifically, the EPA failed to provide financial transaction tracking spreadsheets and a comprehensive reconciliation schedule. We were still able to obtain enough information to answer our objectives, although this

¹ We suspended this audit from March 5, 2019, through May 7, 2019, because of other priorities.

impediment impacted our ability to definitively account for funding and payments for the contract.

To obtain an understanding of the contractual and acquisition requirements and internal controls, we reviewed the following federal regulations, Agency guidance, and other documentation:

- Contract terms and conditions.
- Federal Acquisition Regulation.
- EPA Office of Acquisition Solutions, *Environmental Protection Agency Acquisition Guide*. The April 2004 version of EPAAG subsection 32.7.4, “Accounting for Appropriations in Contracts,” was applicable to Contract No. EP-C-16-001 for the duration of the contract. The January 2015 version of EPAAG subsection 32.9.1, “Invoice Review,” was also applicable to Contract No. EP-C-16-001 during the scope of our audit.
- EPA manual, *Administrative Control of Appropriated and Other Funds*.
- Other internal Office of Acquisition Solutions guidance documents related to contract management.
- Prior audit reports relevant to our audit objectives.
- Roles and responsibilities within the EPA’s contract management structure.

We interviewed the following individuals as part of this audit:

- Contract-level contracting officer’s representatives. As set forth in EPAAG subsection 32.7.4, the CL-COR is responsible for continuously monitoring contractor activity under each work assignment to ensure that the costs incurred do not exceed the total dollar value of the work assignment.
- Funds control officer. This staff member tracks, reviews, reports on, and ensures the proper use of funds.
- Regional work assignment contracting officer’s representatives. A WACOR’s primary responsibilities consist of (1) tracking funds associated with work assignments and (2) reviewing and recommending whether the CL-COR should approve or disapprove the deliverable products submitted by the contractor.

- Contracting officer. This staff member serves as an obligating official for contracts and simplified acquisitions.
- CL-COR immediate supervisors.
- Chief of the Office of Water Branch, Cincinnati Acquisition Division, within the Office of Acquisition Solutions.
- Director of the Resource, Analysis, and Planning Division.
- Chief of staff for the Office of Acquisition Management.

To determine whether the EPA funding actions under Contract No. EP-C-16-001 were allowable or posed risks to the Agency, we requested and assessed several documents, such as the CL-COR's work assignment financial tracking spreadsheet for the Base Period and Option Period 1. We also obtained and analyzed the CL-COR's year-end funding and payment reconciliations for the Base, Option 1, and Option 2 periods.

The OIG was only able to obtain the CL-COR's partial and unfinished work assignment financial tracking spreadsheets for Option Period 2 to verify funding and payment data accuracy and completeness. In addition, we obtained and reviewed all contractor-submitted vouchers, as well as all funding and obligation documents for work plans and work assignments, for the Base, Option 1, and Option 2 periods.

To determine whether invoices are being approved and paid without proper review of costs, we:

- Interviewed the CL-CORs and WACORs for Contract No. EP-C-16-001.
- Judgmentally selected and reviewed ten invoices, and compared the date the invoice was paid to the date the WACOR received the invoice.
- Reviewed monthly progress reports and invoices for Contract No. EP-C-16-001. Monthly progress reports assist the contracting officer's representative in monitoring the technical progress of the work being performed.
- Tested the invoices from April 2016, April 2017, April 2018, and May 2018 for compliance with contractual requirements.

Prior Audit Coverage

The OIG issued the following prior reports addressing contract management, oversight, and internal controls:

- Report No. [17-P-0380](#), *EPA's Alternative Dispute Resolution and Public Involvement Contract Needs Better Management*, issued September 12, 2017, found that monthly progress reports and invoices were missing some required contract data. We made three recommendations, including actions to improve contract terms, deliverables, management, oversight, and internal controls. The EPA agreed with all three recommendations. According to the Agency, the corrective actions for all recommendations were completed.
- Report No. [15-P-0215](#), *Internal Controls Needed to Control Costs of Superfund Technical Assessment & Response Team Contracts, as Exemplified in Region 7*, issued July 20, 2015, found that Region 7 did not adequately monitor contractor invoices to ensure compliance with contract terms. This report made 26 recommendations, including requiring EPA personnel to notify a contractor when mandatory contract data are not received, recovering unallowable costs billed on the contract, and properly nominating and appointing contracting officer's representatives on the contract. According to the Agency, the corrective actions for all recommendations were completed.

Chapter 2

EPA's Insufficient Monitoring and Document Retention Caused Potential Misallocation of Contract Funds; EPA Violated the Inspector General Act

The CL-COR did not continuously monitor Northbridge's work assignments, as required by the EPAAG. The CL-COR also did not maintain appropriate records for Contract No. EP-C-16-001. The Federal Records Act, the National Archives and Records Administration, Federal Acquisition Regulations, and EPA regulations and guidelines broadly require records related to contract payments to be maintained. In addition, the CL-COR denied the OIG access to a financial tracking spreadsheet that supported the EPA's use of segregated funds for approved payments to Northbridge. Ultimately, the CL-COR destroyed the spreadsheet, despite the OIG's standing request for it and despite telling the OIG that access to it would be forthcoming. The Inspector General Act of 1978, as amended, allows the OIG to have timely access to all records and other documents that relate to the programs and operations for which the OIG has responsibilities, such as performing contract audits. By destroying these documents and not providing the OIG access to these documents, the CL-COR violated the Inspector General Act and may also not be in compliance with federal records retention requirements. Further, neither the Agency nor the OIG can determine how the Agency allocated over \$10 million of EPA funds for Contract No. EP-C-16-001.

EPA Established Policies and Procedures to Verify Proper Accounting

EPAAG subsection 32.7.4 and the EPA's *Administrative Control of Appropriated and Other Funds* manual established the accounting policies and procedures that were in effect during the scope of our audit. The CL-CORs were to use these policies and procedures for proper accounting and voucher payments for cost reimbursement term contracts with work assignments. Specifically, the EPAAG states that the CL-COR shall:

- Continuously monitor contractor activity to ensure that the costs incurred do not exceed the total dollar value of the work assignment, that the correct appropriation account number is noted for the work assignment, and that all required accounting adjustments are before the end of the fiscal year.
- Indicate for each work assignment the appropriation account number and document control number against which payments are to be made.

The EPA's *Administrative Control of Appropriated and Other Funds* manual also requires the CL-COR to approve all contractor-submitted invoices for payment.

Agency Did Not Maintain Documentation to Support Transactions

At the end of each year, the CL-COR is required, per the EPAAG, to make adjustments to ensure that payments for contracted services come from the correct appropriation accounts. To accomplish this task for Contract No. EP-C-16-001, the CL-COR generated spreadsheets to track work assignment funding and disbursements for the contract's Base and Option periods. The CL-COR informed OIG auditors that these financial tracking spreadsheets were created and maintained because the contract was funded by multiple appropriations associated with multiple work assignments. The CL-COR approved work assignment payment from different appropriation accounts throughout the term of the contract; therefore, the spreadsheets were critical to track the funding, disbursement, and adjustments to appropriation accounts.

The CL-COR reported to OIG auditors that during the predecessor contract and Contract No. EP-C-16-001, there were instances when the EPA used:

- Office of Water funds to pay state revolving fund work assignment invoices.
- Funds from one state's revolving fund to pay another state's revolving fund work assignment invoices or Office of Water work assignment invoices.

The CL-COR stated that all of these unconventional transactions were tracked in financial transaction tracking spreadsheets for the applicable contract periods.

In a written response to OIG questions, the chief of the EPA's Office of Acquisitions confirmed this practice:

Under the Northbridge contract, one state's funding allocation has sometimes been used to pay invoices for another state for various reasons. This is not considered customary and the entire process is carefully tracked and managed in great detail so the work may continue, and the appropriate reimbursement will take place when available. When a state's funds are used for another state, the funds are always reimbursed utilizing this approach.

The OIG requested copies of the financial transaction tracking spreadsheets and a complete reconciliation schedule that accounts for all of the unconventional transactions to confirm that (1) all appropriation accounts were reconciled at the end of each year and (2) both Office of Water and state revolving funds were wholly reimbursed.

The CL-COR informed us that the spreadsheets for the contract's Base Period and Option Period 1 had been deleted, as those periods ended before our audit work began. The CL-COR told us that financial updates to the spreadsheet for the Option Period 2 were in process and that the spreadsheet would be provided to us when the period was completed. Approximately one year after our initial request for the spreadsheet, the CL-COR informed us that the Option Period 2 spreadsheet had been deleted and could not be recreated, as data from the Agency's systems were no longer available. The CL-COR said that the spreadsheets were no longer needed because there is no Agency requirement to keep such documents. The CL-COR indicated that it was, therefore, acceptable to destroy all the spreadsheets, even though we had requested the Option Period 2 spreadsheet.

In place of the deleted financial tracking spreadsheets, which would have provided financial tracking data for obligated and expended funds for individual work assignments, the CL-COR provided us with a spreadsheet that commingled Agency and state funds into a single year-end reconciliation for the Base, Option 1, and Option 2 periods. However, during our analysis we noted several errors and omissions, as well as a lack of sufficient supporting evidence that could be used to verify the accuracy of the reconciliations. These anomalies led us to conclude that the single year-end reconciliation spreadsheet was missing critical financial data to account for the financial activity on the contract.

Furthermore, the CL-COR never provided a comprehensive reconciliation schedule that documented all of the unconventional transactions, which extend back to the predecessor contract. More troubling, the CL-COR stated, "No one knows I was using HQ [headquarters] money to pay for states, I've been doing this for years." The CL-COR also told us, "There is no documentation or tracking spreadsheet that supports all of these transactions."

Agency May Need to Recoup Funds from States

Because the CL-COR could not provide a comprehensive reconciliation for all financial transactions, we asked the CL-COR whether the Agency would be at risk to assume a state's financial debt should that state elect not to reimburse the Agency—for example, because of underfunded accounts—for funds expended from other accounts to pay the state's invoices. The CL-COR confirmed that the EPA would be responsible for covering any unreimbursed costs because there is no stipulation in the contract to protect the EPA should a state fail to submit funds to cover the cost of unfunded work.

After further analysis, we determined that, in some instances, money was not recovered and reallocated to the correct funding account. Through interviews and reviews of additional documentation, such as emails, we found examples of potentially misallocated funds that do not reflect all of the potential misallocations

that the OIG identified (Table 2). Our analysis was not able or intended to be all-inclusive, meaning other potentially misallocated funds may exist.

Table 2: Examples of potentially misallocated funds identified during our analysis

Amount	Potential misallocation
\$129,950.00	The Office of Water may owe these funds to Region 9 because of a CL-COR reconciliation error and unused funds.
\$248,010.00	Hawaii may owe these funds to the Office of Water because the CL-COR used Office of Water funds to pay for Hawaii Loan and Grant Tracking System work that exceeded the amount funded by Region 9.
\$244,460.31	The Office of Water may owe these funds to California because the CL-COR used California funds to pay Hawaii Loan and Grant Tracking System work assignment costs.
\$16,799.69	The Office of Water may owe these unspent funds to Region 9.
\$639,220.00	Total potential misallocations

Source: OIG analysis of EPA email records. (EPA OIG table)

Additionally, the CL-COR did not provide sufficient evidence to support that either (1) the contractor costs incurred did not exceed the total dollar value of the work assignment or (2) year-end account adjustments were made. As a result, a full reconciliation of Contract No. EP-C-16-001 must be performed to ensure that funds were correctly disbursed and appropriate adjustments were made, if warranted. The Agency risks considerable damage to its reputation if funds need to be recouped from states that received them in error.

We were informed that, as of January 3, 2020, the contract’s CL-COR had retired from the Agency. We also substantiated that the successor CL-COR has no knowledge as to what funds or accounts the retired CL-COR used to pay invoices. The successor CL-COR told us that “re-creation and subsequent matching to compass records is impossible.” However, our research indicated that the Agency’s financial system has indeed captured and retained all financial transactions for EPA Contract No. EP-C-16-001, which means that the Agency could complete a comprehensive financial reconciliation for all periods of the contract.

When we asked the CL-CORs’ supervisors for any existing copies of the spreadsheets, such as those distributed prior to the deletion of the spreadsheets, they stated that the CL-CORs did not provide them with any transaction tracking spreadsheets or reconciliation documents. But they did instruct us to recreate the CL-CORs’ financial transactions with the CL-CORs’ data. This, however, is not the OIG’s responsibility. Ultimately, the CL-CORs’ supervisors did not recreate and provide the OIG with the requested financial transactions.

CL-COR Violated the Inspector General Act

The Inspector General Act of 1978, as amended, 5 U.S.C. app. 3 § 6(a)(1)(A), states:

[E]ach Inspector General, in carrying out the provisions of this Act, is authorized . . . to have timely access to all records, reports, audits, reviews, documents, papers, recommendations, or other materials available to the applicable establishment which relate to the programs and operations with respect to which that Inspector General has responsibilities under this Act.

On August 8, 2018, EPA Administrator Andrew Wheeler issued a message to all Agency employees that reaffirmed the Inspector General Act’s mandate of full cooperation. That message included the following statement: “It is imperative and expected that agency personnel provide the OIG with access to personnel . . . records or other information . . . needed by the OIG to accomplish its mission.”

The CL-COR denied the OIG access to the Option Period 2 financial transaction spreadsheet, as well as the reconciliations for all the unconventional transactions. We gave the CL-COR time to follow up on our requests, only to learn later that the spreadsheet we were seeking had been destroyed after we requested it. This destruction prevented us from having timely access to information, as is mandated by the Inspector General Act. This situation constitutes a violation of the intent and purpose of the Inspector General Act.

CL-COR Potentially Violated Federal Records Act and National Archives and Records Administration Regulations

The Federal Records Act and National Archives and Records Administration regulations broadly require that documents related to contract payments be maintained. The Federal Records Act, 44 U.S.C. §§ 3101–3017, requires agencies to:

- Establish, maintain, and manage records of the agency and provide effective controls over the creation, maintenance, and use of records in the conduct of current business.
- “[M]ake and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency.”

When we shared our findings with the Agency in September 2019, the EPA asserted that the deleted spreadsheets were not records but instead were “working papers.”

First, the National Archives and Records Administration regulation that interprets the Federal Records Act, 36 C.F.R. § 1222.12, stipulates that a working draft or file is a “record” that must be preserved to ensure adequate and proper documentation if:

- a. The employee who created the working file distributed or made it available to other employees for official purposes, including to communicate with agency staff about agency business.
- b. The working draft or file contains “unique information” that adds to a “proper understanding” of the decisions, actions, or responsibilities of the agency.

The EPA did not specify why it considered the deleted spreadsheets to be working files that did not need to be preserved as records. The Agency also did not establish that the spreadsheets contained only duplicative—and not unique—information.

Second, National Archives and Records Administration regulations at 36 C.F.R. § 1222.10 provide that documents are appropriate for preservation under the Federal Records Act when they, “in the judgment of the agency, should be filed, stored, or otherwise systematically maintained by an agency because of the evidence of agency activities or information they contain.” The EPA did not specify why it did not consider the deleted spreadsheet evidence of Agency activities.

We do not agree with the Agency’s determination that the spreadsheets were working files because this conclusion is premature and lacks the necessary foundation. Until it can be determined that the appropriation tracking information in the deleted spreadsheets can be recreated through the Agency’s financial systems—a task which the Agency has refused to undertake—there remains a question as to whether the deleted spreadsheets contained unique information and, therefore, were records. The OIG believes that, pursuant to the Federal Records Act and National Archives and Records Administration regulations, the spreadsheets should be considered records because they:

1. Were necessary to document evidence of EPA activities.
2. Contained information that documents how the EPA carries out its mission.
3. Were created in the course of doing Agency business.
4. Were required to support the EPA’s financial obligations.

Recommendations

We recommend that the assistant administrator for Water:

1. Reconcile all allocation of funds for Contract No. EP-C-16-001's appropriation accounts, individual work assignment funds, and document control numbers; promptly reimburse the Office of Water, regions, and states, as appropriate; and recoup any funds misallocated.

We recommend that the assistant administrator for Mission Support:

2. Recommunicate, via a policy directive for all Office of Water staff, the requirements of (1) the Federal Records Act and (2) the Inspector General Act of 1978, as amended, including reaffirming the EPA administrator's 2018 agencywide statement that it is "imperative and expected that agency personnel provide the OIG with access to personnel, facilities and records or other information or material that is needed by the OIG to accomplish its mission."

Agency Response and OIG Assessment

The EPA disagreed with our Chapter 2 findings and stated that the title of the report was misleading. The EPA further stated that some of the language used by the OIG in the draft report was concerning and could not be substantiated by the information available to the Office of Water. For example, the Office of Water and the Office of Mission Support disagreed with our draft report's conclusions that "serious issues" exist and that "potential misallocation of funds" occurred. The evidence we gathered supports our characterizations, and we have not revised the findings for the final report. The Agency's full response and our assessment of its response is in Appendix A.

The Office of Water did not agree with Recommendation 1 and stated that it:

prepared and submitted to the OIG a full reconciliation for the Base Period, Option Period 1 and Option Period 2 of the contract on June 24, 2019. EPA worked with each region and reviewed all transactions for each Region/State to ensure all accounts were appropriately charged and reimbursed.

The "full and comprehensive reconciliation" mentioned in the Agency's response to our draft report, however, was a summary schedule of total funds obligated and expended for the aforementioned periods. This summary lacked any financial accounting for the numerous unconventional transactions undertaken by the CL-COR during the course of the contract. We therefore consider Recommendation 1 to be unresolved.

The EPA also disagreed with Recommendation 2 and stated that the EPA's Office of the Chief Financial Officer has the national lead for coordination and communication on the importance of complying fully with inspector general requests. The Office of Mission Support proposed that we assign the recommendation to the Office of the Chief Financial Officer. We are not aware of any Agency policy that precludes particular offices from communicating the compliance requirements of the Inspector General Act. Therefore, we continue to recommend that the Office of Mission Support communicate the requirements of the Federal Records Act to all Office of Water staff, and we consider this recommendation to be unresolved.

Chapter 3

EPA Paid Invoices Without Required Input

The CL-COR for Contract No. EP-C-16-001 approved invoices for payment without input from the WACORs. EPAAG subsection 32.9.1 states that WACORs, if delegated the authority, have the responsibility to review all monthly progress reports to (1) determine whether the costs billed are allowable, allocable, and reasonable and (2) recommend approval or disapproval to the contract-level approving official, which in this case is the CL-COR. The EPA's *Invoice Review and Approval Desk Guide* states that the CL-COR will forward invoices and monthly progress reports to the appropriate WACORs.

We found no evidence that WACORs, the EPA staff more familiar with the work, reviewed invoices before the Agency approved payment. We also found that the invoices did not include all required items, such as hourly rates for each labor category. The CL-COR for Contract No. EP-C-16-001 stated that, because of workload, there was no time to send out invoices for approval or wait for input from the assigned WACORs before approving invoices for payment. Also, the WACORs did not independently provide the CL-COR with input regarding their approval or disapproval of invoiced amounts. As a result, the Agency risked paying the contractor for work that did not meet contractual requirements.

EPA Guidance Provides for WACORs to Recommend Invoice Approval

EPAAG subsection 32.9.1 states that, if so delegated, WACORs have the responsibility to review all monthly progress reports to (1) determine whether costs are allowable, allocable, and reasonable and (2) recommend approval or disapproval to the contract-level approving official. Approving officials must process invoices in a timely manner.

The EPA's *Administrative Control of Appropriated and Other Funds* manual states that because many Agency contracts involve numerous tasks for the contractor to perform, the CL-COR delegates the review and approval of invoices to the local work assignment manager—that is, the WACOR. These staff are in a better position to determine whether to approve invoices, since they work more closely with the contractor, are more familiar with the technical aspects of the contracts and orders, and are responsible for accepting the actual goods received or services performed.

The EPA's *Invoice Review and Approval Desk Guide*, Section VI(d), states that CL-CORs forward invoices and monthly progress reports to the appropriate WACORs. The Desk Guide also provides checklists that WACORs can use to review invoices.

Finally, a Contract No. EP-C-16-001 EPA Appointment Memorandum dated November 30, 2017, delegated staff to act as WACORs and states that these staff are required to:

- Perform and submit to the CL-COR timely approval of invoices.
- During invoice certification, evaluate all payment requests based on the costs incurred and the actual work accomplished.

CL-COR Paid Invoices Without Required Input

The CL-COR for Contract No. EP-C-16-001 approved invoices for payment without input from the assigned WACORs. The WACORs work more closely with Northbridge and therefore are more familiar than the CL-COR with the actual services being delivered.

The WACORs we interviewed for Contract No. EP-C-16-001 did not receive invoices until months after payment. As a result, the WACORs did not communicate with the CL-COR regarding the reasonableness of invoiced costs and did not recommend approval for invoiced costs. The CL-COR confirmed that input from the WACORs was not solicited or received before the CL-COR approved invoices for payment.

The WACORs and the CL-COR we interviewed told us that on the predecessor contract awarded to Northbridge for the same services, the CL-COR would email an Invoice Approval Memorandum and the monthly progress reports to the WACORs. The WACORs were then asked to sign and return the memorandum to the CL-COR to guarantee the timely approval of the invoice. We noticed during our fieldwork, however, that the CL-COR did not provide Invoice Approval Memorandums to the WACORs for Contract No. EP-C-16-001.

Because the WACORs did not review invoices and monthly progress reports for Contract No. EP-C-16-001, the EPA does not have reasonable assurance that the costs billed under this contract were allowable, allocable, and reasonable.

WACORs Did Not Provide Required Input to CL-COR

The CL-COR told the OIG that, because of workload, there was no time to wait for input from the WACORs. We also found that the assigned WACORs did not independently provide the CL-COR with input regarding their approval or disapproval of invoiced amounts prior to payment (Table 3).

Table 3: Dates invoices were paid versus dates WACORs received invoices

Work assignment	Period covered by invoice	Date CL-COR paid invoice	Date WACOR received invoice
0-10	February 2016	4/21/16	7/11/16
0-10	March 2016	5/18/16	7/11/16
0-10	April 2016	6/21/16	7/11/16
0-10	May 2016	7/20/16	7/11/16
0-8	December 2015	2/26/16	4/26/16
0-8	January 2016	3/21/16	4/26/16
0-8	February 2016	4/21/16	4/26/16
0-8	March 2016	5/18/16	7/12/16
0-8	April 2016	6/21/16	7/12/16
0-8	May 2016	7/20/16	7/12/16

Source: OIG analysis of EPA data. (EPA OIG table)

For example, it was not until July 2016 that the CL-COR provided the WACOR overseeing Work Assignment 010 with the invoices and monthly progress reports for February, March, April, and May 2016. By this time, the CL-COR had already paid the February, March, and April invoices. Another WACOR overseeing Work Assignment 08 did not receive the invoices and monthly progress reports for December 2015, January 2016, and February 2016 until April 2016. By this time, all those invoices had been paid. That same WACOR did not receive the invoices for March, April, and May 2016 until July 2016, by which time the March and April invoices had already been paid. Moreover, the WACOR received these invoices from Northbridge, not the CL-COR.

EPA Did Not Fulfill Its Invoice Review Obligations

The EPA did not fulfill its invoice review obligations. The Agency did not identify significant variances between the hours that Northbridge estimated would be required to complete work under the contract and the actual labor hours expended for some labor categories. Northbridge initially estimated that it would use lower-rate labor categories to perform the work but ultimately used and billed much higher-rate labor categories. The variances in the labor categories used could have been detected and discussed with the contractor had the EPA performed the required invoice reviews.

We also noted that invoices did not contain, as required by the contract, the hourly rate for each contractor labor category.

Agency Actions in Response to Audit Findings

In September 2018, we shared our preliminary findings with the EPA during a monthly audit status meeting with the Agency. In response, the EPA began directing the CL-COR for Contract No. EP-C-16-001 to receive written confirmation from all WACORs regarding their review and approval of invoiced costs before the CL-COR approves invoices for payment, in accordance with the EPA's *Invoice Review and Approval Desk Guide*. In addition, in June 2017, the

EPA began requiring the contracting officer for Contract No. EP-C-16-001 to have Northbridge provide the invoice and monthly progress reports to both the CL-COR and the WACORs at the same time. We confirmed that these corrective actions were completed, and we therefore do not address these specific findings in our “Recommendation” section below.

Recommendation

We recommend that the assistant administrator for Water:

3. Review all costs billed on Contract No. EP-C-16-001 and report any improperly paid costs to the OIG.

Agency Response and OIG Assessment

The Agency agreed with our recommendation and stated that the EPA regions reviewed all invoices and progress reports for each applicable work assignment to ensure that all costs were appropriately charged. The EPA said that this corrective action was completed in June 2020. However, the Agency provided no documentation to support that it completed this review and, in fact, made later statements that contradicted its original statement that costs were reviewed and verified. Therefore, we consider this recommendation unresolved.

The EPA disagreed with our conclusion that the CL-COR paid invoices without input from the EPA staff familiar with Northbridge’s work. Appendix A includes the Agency’s full response and our full assessment of that response.

Chapter 4

EPA Did Not Perform Detailed Invoice Reviews to Assess Labor Used

For the first three years of Contract No. EP-C-16-001, Northbridge estimated that its most expensive labor category would perform 36.9 percent, 34.1 percent, and 30.1 percent of the total labor hours, respectively. However, the hours billed to the EPA for this labor category during the first three years were 50.8 percent, 51.1 percent, and 57.0 percent, respectively. EPA policy provides that invoices should be thoroughly reviewed to ensure that adequate information, proper rationale, and documentation exist to support payment of the invoices. We found that EPA staff did not follow this Agency policy and did not perform detailed reviews by invoice line item. Had Northbridge's invoices accurately reflected its estimates, the EPA could have saved over \$565,000 in labor and associated overhead for the first three years of the contract performance period.

EPA Provides Guidance on Reviewing Invoices

The EPA's *Invoice Review and Approval Desk Guide* requires CL-CORs to review invoices sent by the contractor before processing the invoices for payment. The Desk Guide sets forth the following employee responsibilities related to the invoice review and approval process:

- EPA staff determine whether the labor categories used, referred to as a “labor mix,” were appropriate for the work performed. The Desk Guide cautions that excessively rich labor mixes—that is, when the contractor uses more higher-level staff than needed, which is called “gold plating”—can quickly drive up costs. As set forth in Appendix 8 of the Desk Guide, if an invoice contains an excessively rich labor mix, the invoice contains questionable costs and should be suspended pending receipt of adequate contractor support justifying this labor mix.
- CL-CORs forward the invoices and monthly progress reports to the assigned WACORs for review, along with any additional instructions, checklists, or guidance. The Desk Guide also provides checklists that WACORs can use when reviewing invoices.
- CL-CORs perform a detailed review, by invoice line item, on a representative sample of the work assignment invoices.

Northbridge Required to Estimate Labor Hours

Contract No. EP-C-16-001 requires Northbridge to begin developing a work plan immediately upon receipt of a work assignment from the EPA. Within 30 calendar days after receipt of a work assignment, Northbridge must submit a work plan to the EPA, including a detailed technical and staffing plan and a detailed cost estimate. Within 30 calendar days after receipt of the work plan, the contracting officer must provide Northbridge with written approval or disapproval of the work plan.

The work plan cost estimate from Northbridge is to include the number of hours and costs for the professional labor categories that Northbridge plans to use to perform the work assignment. The Request for Proposal—that is, the announcement describing the project details and soliciting bids from contractors to perform the work—for Contract No. EP-C-16-001 outlines the four PL categories that Northbridge can use to perform work under the contract:

- **PL1.** Junior position and the lowest classification. Works under close supervision and performs routines analyses.
- **PL2.** Position under the supervision of senior-level personnel. Carries out assignments associated with specific projects.
- **PL3.** Associate position. Plans, conducts, and supervises assignments involving smaller or less important projects.
- **PL4.** Most senior position. Plans, conducts, and supervises projects of major significance.

The labor rates for each category increase according to seniority. The PL1 category is the least expensive, while the PL4 category is the most expensive. The hourly rate for the PL4 labor category is more than twice the hourly rate for the PL1 labor category.

The contract also specifies that Northbridge is entitled to a 102 percent labor overhead charge. The overhead amount is calculated based on direct labor costs.

Northbridge's Use of Most Expensive Labor Category Exceeded Estimates

We analyzed Northbridge's financial summary reports for the first three years of Contract No. EP-C-16-001. We found that Northbridge's use of the most expensive labor category far exceeded estimates, resulting in increased costs to the government. For the first three years of the contract, Northbridge estimated that the PL4 labor category would perform 36.9 percent, 34.1 percent, and 30.1 percent of the total labor hours, respectively. However, the PL4 hours billed to the EPA for those first three years were 50.8 percent, 51.1 percent, and 57.0 percent, respectively. Conversely, as Table 4 demonstrates, the less-expensive PL1, PL2, and PL3 labor categories were generally used less than

estimated. These anomalies, which are detailed in Table 4, were not flagged by either the CL-COR or the assigned WACORs.

As a result, the labor charges for the PL4 labor category also exceeded estimates across the three years, as also shown in Table 4. For example, PL4 staff accounted for 63.0 percent of total labor dollars expended during the Base Period, compared to the estimated 52.1 percent. Likewise, the PL2 and PL1 staff accounted for less than the originally estimated percent of total labor hours.

Table 4: Estimated versus actual hours and dollars

Labor category	Estimated labor hours		Actual labor hours		Percent difference	Estimated labor dollars		Actual labor dollars		Percent difference
	Hours	Percent	Hours	Percent		Dollars	Percent	Dollars	Percent	
Base Period										
PL4	9,772	36.9%	9,935	50.8%	+13.9%	\$682,574	52.1%	\$642,873	63.0%	+10.9%
PL3	8,370	31.6	6,657	34.1	+2.5	361,333	27.6	279,313	27.4	-0.2
PL2	6,525	24.6	2,722	13.9	-10.7	208,409	15.9	91,326	8.9	-7.0
PL1	1,831	6.9	235	1.2	-5.7	56,596	4.3	7,440	0.7	-3.6
Total	26,498	—	19,549	—	—	1,308,912	—	1,020,952	—	—
Option Period 1										
PL4	7,210	34.1	9,522	51.1	+17.0	518,760	47.7	629,393	62.8	+15.1
PL3	9,536	45.0	5,529	29.7	-15.3	424,066	39.0	253,982	25.3	-13.7
PL2	4,425	20.9	3,574	19.2	-1.7	145,583	13.4	119,024	11.9	-1.5
PL1	0	N/A	0	N/A	N/A	0	N/A	0	N/A	N/A
Total	21,171	—	18,625	—	—	*1,088,408	—	1,002,399	—	—
Option Period 2										
PL4	7,697	30.1	10,590	57.0	+26.9	570,425	43.6	711,151	69.1	+25.5
PL3	11,133	43.5	4,100	22.1	-21.4	509,891	39.0	184,955	18.0	-21.0
PL2	6,322	24.7	3,875	20.9%	-3.8	214,253	16.4	133,608	13.0%	-3.4
PL1	430	1.7%	0	N/A	-1.7%	14,104	1.1%	0	N/A	-1.1%
Total	25,582	—	18,565	—	—	\$1,308,673	—	\$1,029,714	—	—

Source: OIG analysis of EPA data. (EPA OIG table)

* OIG-noted error in calculation by Northbridge.

Note: Due to rounding, percentages may not sum to 100 percent.

Northbridge Levels of Effort Also Differed from EPA Estimates

Prior to awarding the contract, the EPA also estimated the level of effort to be performed by Northbridge professional staff through the life of the contract. When comparing the EPA’s estimated labor category hours to Northbridge’s actual hours expended, there are material—that is, significant—differences between the estimated and actual hours for the PL4 and PL1 labor categories. Our analysis, presented in Table 5, shows that Northbridge used far more PL4 staff and far fewer PL1 staff than estimated.

Level of effort is the amount of activity—such as labor—needed to support the work to be accomplished under a contract.

Table 5: Estimated versus actual levels of effort

Labor category	Level of effort	
	EPA-estimated	Actual level <i>(through Option Period 2)</i>
PL4	30.0%	53.0%
PL3	25.0	29.0
PL2	18.0	18.0
PL1	27.0%	0.4%

Source: OIG analysis of EPA data. (EPA OIG table)

EPA Staff Did Not Perform Detailed Invoice Reviews

EPA staff for Contract No. EP-C-16-001 did not perform a labor mix analysis of Northbridge’s invoices as recommended by the EPA’s *Invoice Review and Approval Desk Guide*. As set forth in the Desk Guide, invoices should be reviewed to ensure that they do not contain an excessively rich labor mix, and it is the EPA’s policy to review invoices thoroughly to ensure that adequate information, proper rationale, and documentation exist to support payment of contractor invoices in a timely manner. This thorough review helps to ensure payment of costs that are allowable, allocable, and reasonable.

In addition, we found that the CL-COR for Contract No. EP-C-16-001 did not provide checklists to WACORs, contrary to the EPA’s *Invoice Review and Approval Desk Guide*, nor did the WACORs independently complete the checklists. Finally, as discussed in detail in Chapter 3, we found that some WACORs received some invoices and progress reports months after the CL-COR paid those invoices.

Had the CL-COR and the WACORs for Contract No. EP-C-16-001 monitored the labor mix as the Desk Guide instructs, Northbridge’s higher use of PL4 hours could have been detected and addressed. This oversight could have saved the EPA money that could have been used for other priorities.

EPA Could Have Saved Up to \$565,529 on Direct Labor and Overhead

While the EPA may have spent less than estimated during the first three years of Contract No. EP-C-16-001 overall, we calculated—by comparing estimated work plans to the paid invoices—that the EPA could have potentially saved an additional \$565,529 (Table 6) on direct labor and associated overhead. Funds could have been saved if:

- Northbridge labor hour estimates had been more accurate.
- EPA staff used the invoice checklists included in the EPA’s *Invoice Review and Approval Desk Guide*.

Table 6: EPA potential cost savings had estimates been accurate

	Direct labor costs billed to EPA	Direct labor costs if level-of-effort estimates been accurate *	Cost savings to EPA
Base Period	\$1,020,952	\$930,686	\$90,266
Option Period 1	1,002,399	934,461	67,938
Option Period 2	1,029,714	907,953	121,761
		Subtotal	279,965
		Overhead (x 102% of Direct Labor)	285,564
		Total savings	\$565,529

Source: OIG analysis of EPA data. (EPA OIG table)

*As computed by the OIG, based on Northbridge estimates of labor, which were approved by the EPA.

Recommendation

We recommend that the assistant administrator for Water:

4. Require and implement internal controls to verify that work assignment contracting officer’s representatives use checklists from the EPA’s *Invoice Review and Approval Desk Guide* when reviewing invoices.

Agency Response and OIG Assessment

The Agency concurred with our recommendation and stated that it implemented standard procedures to ensure that the appropriate checklists are used when invoices are reviewed. The EPA said that this corrective action was completed in September 2019 and provided us with acceptable verification. We therefore consider Recommendation 4 completed.

The Agency disagreed with certain OIG conclusions in this chapter. For example, the Agency responded:

The OIG provides no example of work performed by contractor staff that could have been performed satisfactorily by less expensive contractor staff with less experience. Without any facts to the contrary, it appears impossible that an accurate estimate of potential cost savings can be substantiated.

The Agency also disagreed with our conclusion that Northbridge’s use of the most expensive labor category far exceeded estimates, resulting in increased costs to the government. Table 4 of our report makes clear that, on a percentage basis, Northbridge’s use of its most expensive labor category far exceeded its own estimates. The Agency’s complete response and our full assessment of that response is in Appendix A.

Chapter 5

Contracting Officer Did Not Conduct Required Records Inspections

The contracting officer did not conduct any inspections of the CL-COR records during the Base, Option 1, or Option 2 periods for Contract No. EP-C-16-001. EPAAG subsection 42.3.4, “Contract Management Plans,” which requires the inspection, states that the contracting officer will meet with the contracting officer’s representative—in this case, the CL-COR—as necessary but at a minimum of once per year to inspect the contracting officer’s representative’s records and provide feedback. The contracting officer for Contract No. EP-C-16-001 was unaware of this inspection requirement. As a result, the EPA did not discover that the CL-COR was not maintaining key contract documents, namely detailed financial tracking records, as previously detailed in Chapter 2.

EPAAG Requires Contracting Officer to Inspect Records

EPAAG subsection 42.3.4, “Contract Management Plans,” requires the contracting officer to inspect the contracting officer’s representative’s records. It reads, “The CO will meet with the COR as often as necessary, but no less than once a year, to inspect the COR’s records and provide feedback. ... CO review of the COR’s files may occur more frequently if the CO deems it necessary for successful contract execution.” The EPAAG requires that the contracting officer’s record review be documented using the Record Inspection Checklist. The purpose of the review is to ensure that CL-COR files are in compliance with the Federal Records Act and federal regulations requiring records to be properly maintained and preserved in accordance with applicable records retention schedules.

Contracting Officer Did Not Conduct Records Inspections

The contracting officer for Contract No. EP-C-16-001 did not conduct inspections of the contracting officer’s representative’s records during the contract’s Base, Option 1, or Option 2 periods, as required by the EPAAG. The contracting officer professed to not having the contracting officer’s representative Records Inspections Checklist and to not being aware of the EPAAG policy that required records inspections. Since becoming aware of the policy, the contracting officer said that this issue would be corrected.

In addition to the contracting officer’s unfamiliarity with the policy, we found no evidence that the EPA has controls in place that require contracting officers to verify or document that records inspections were completed.

Financial Tracking Discrepancies Were Not Discovered

The Records Inspection Checklist, which can be found at EPAAG Appendix 42.3.4-B, contains 15 questions directing the contracting officer to identify whether the CL-COR's contract files contain different documents pertaining to the contract. The checklist includes two questions directly relevant to our audit:

- “Does the file contain Financial Tracking Reports?”
- “Does the file contain Correspondence?”

When the OIG reviewed the successor CL-COR's contract file for Contract No. EP-C-16-001, we found that it did not contain financial tracking spreadsheets for the Base, Option 1, or Option 2 periods, nor did it contain correspondence related to Region 9 funding issues. If the contracting officer had conducted the required records inspections, the EPA could have discovered that the CL-COR was not maintaining detailed financial tracking records, as detailed previously in Chapter 2.

Recommendations

We recommend that the assistant administrator for Mission Support:

5. In coordination with the Office of Acquisition Solutions, provide training to applicable staff on EPA Acquisition Guide subsection 42.3.4 requirements for the contracting officer to conduct contracting officer's representative records inspections.
6. Develop and implement internal controls to verify that all contracting officers annually complete and document contracting officer's representative records inspections.

Agency Response and OIG Assessment

In response to Recommendation 5, the EPA agreed to provide training and agreed to notify acquisition staff of the existing EPAAG's requirement that the contracting officer conduct contracting officer's representative records inspections and maintain records. In response to Recommendation 6, the EPA agreed to develop and implement internal controls to verify that all contracting officers annually complete contracting officer's representative records inspections. Recommendations 5 and 6 are resolved with corrective actions pending.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	12	Reconcile all allocation of funds for Contract No. EP-C-16-001's appropriation accounts, individual work assignment funds, and document control numbers; promptly reimburse the Office of Water, regions, and states, as appropriate; and recoup any funds misallocated.	U	Assistant Administrator for Water		
2	12	Recommunicate, via a policy directive for all Office of Water staff, the requirements of (1) the Federal Records Act and (2) the Inspector General Act of 1978, as amended, including reaffirming the EPA administrator's 2018 agencywide statement that it is "imperative and expected that agency personnel provide the OIG with access to personnel, facilities and records or other information or material that is needed by the OIG to accomplish its mission."	U	Assistant Administrator for Mission Support		
3	17	Review all costs billed on Contract No. EP-C-16-001, and report any improperly paid costs to the OIG.	U	Assistant Administrator for Water		
4	22	Require and implement internal controls to verify that work assignment contracting officer's representatives use checklists from the EPA's <i>Invoice Review and Approval Desk Guide</i> when reviewing invoices.	C	Assistant Administrator for Water	9/10/19	
5	24	In coordination with the Office of Acquisition Solutions, provide training to applicable staff on EPA Acquisition Guide subsection 42.3.4 requirements for the contracting officer to conduct contracting officer's representative records inspections.	R	Assistant Administrator for Mission Support	10/16/20	
6	24	Develop and implement internal controls to verify that all contracting officers annually complete and document contracting officer's representative records inspections.	R	Assistant Administrator for Mission Support	10/16/20	

¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

MEMORANDUM

SUBJECT: Response to Draft Report entitled, “EPA’s Lack of Oversight Resulted in Serious Issues Related to Office of Water Contract, Including Potential Misallocation of Funds,” Project No. OA&E-FY18-0234, dated May 28, 2020

FROM: David P. Ross,
Assistant Administrator
Office of Water

**DAVID
ROSS**

Digitally signed by DAVID
ROSS
Date: 2020.06.26
14:19:31 -04'00'

Donna J. Vizian,
Principal Deputy Assistant Administrator
Office of Mission Support

**DONNA
VIZIAN**

Digitally signed by
DONNA VIZIAN
Date: 2020.06.26
17:11:28 -04'00'

TO: Sean W. O’Donnell,
Inspector General

This memorandum responds to assertions and recommendations in the Office of Inspector General’s (OIG) draft report entitled, “EPA’s Lack of Oversight Resulted in Serious Issues Related to Office of Water Contract, Including Potential Misallocation of Funds” Project No. OA&E-FY18-0234, dated May 28, 2020.

I. General Comments:

The Environmental Protection Agency’s (EPA) Office of Water (OW) and Office of Mission Support (OMS) acknowledge the OIG’s effort in performing an audit over the past two years on Contract Number EP-C-16-001. The OIG stated in its report that the purpose of the audit was to determine whether: (1) EPA funding actions are allowable or pose risks to the Agency, and (2) invoices are being approved and paid without proper review of costs. Due to the collaborative interaction with the OIG during this audit, OW has implemented standard procedures that will improve the management of our contracts and are appreciative of the OIG’s involvement in the development of these enhanced processes. However, some of the language used by the OIG in the draft report is concerning and cannot be substantiated by the information available to OW.

For example, the title of the report “EPA’s Lack of Oversight Resulted in Serious Issues Related to Office of Water Contract, Including Potential Misallocation of Funds” is misleading. The OIG could not demonstrate that funds were paid to contractors for work not performed or unsatisfactory work products. Every example provided by the OIG has been researched and evaluated by experts in OW and OMS, and neither office found any misallocation of funds. While OW has implemented procedures to improve contract management to address minor identified process issues, OW and OMS recommend that the OIG not state that “serious issues” exist, and “potential misallocation of funds” occurred, as no funds are missing, and the government received satisfactory work products from the contractor. Either the OIG factually established that funds were misallocated or it failed to establish a sufficient factual record to substantiate such an allegation. Guessing as to “potential” misallocation is not a reasonable basis for providing conclusions and should not be considered as appropriate in an audit.

OIG Response 1: The internal control deficiencies and potential misallocation of funds noted in Chapter 2 were confirmed and validated by information provided within the CL-COR’s emails, in interviews, and by the CL-COR’s multiple reconciliation iterations that contained errors and omissions. The reconciliation iterations lacked any essential supporting documentation to verify the financial data expressed in the multiple accounting schedules.

In another example, the OIG states “The EPA spent \$565,529 more than estimated on direct labor and associated overhead over three years because of Northbridge’s decision to use its most expensive labor instead of its less costly labor, as it originally estimated.” Estimated labor costs developed by the government are specifically estimates and will rarely, if ever, match actual costs. As performance of the work plan is completed, the complexity of the work and/or unforeseen circumstances may dictate a different labor skill mix as more advantageous to the government. The OIG provides no example of work performed by contractor staff that could have been performed satisfactorily by less expensive contractor staff with less experience. Without any facts to the contrary, it appears impossible that an accurate estimate of potential cost savings can be substantiated. The report itself acknowledges that EPA did not utilize all hours/costs for each of the contract periods and that the overall cost of the work performed was lower than estimated. In fact, the OIG’s own analysis shows that EPA achieved a cost savings of \$652,928.00, using the higher PL4 level labor category to perform the work required, thus proving EPA actually spent less money than estimated for the work provided by the contractor.

OIG Response 2: The OIG disagrees with the following Agency statement:

The OIG provides no example of work performed by contractor staff that could have been performed satisfactorily by less expensive contractor staff with less experience. Without any facts to the contrary, it appears impossible that an accurate estimate of potential cost savings can be substantiated.

The OIG notes that, on the contrary, it is the EPA's responsibility to review monthly invoices and progress reports and to determine whether the labor categories used were appropriate for the work performed. The EPA's *Invoice Review and Approval Desk Guide* cautions that costs can increase quickly when the contractor uses more higher-level staff than needed. The Desk Guide further states that if an invoice contains an excessively rich labor mix, the invoice contains questionable costs and should be suspended pending receipt of adequate contractor support justifying this labor mix. We found no evidence that EPA staff questioned why the contractor was using a higher percentage of its most expensive labor category than it originally estimated. Finally, to calculate potential cost savings, we used the estimates prepared by Northbridge and approved by the EPA.

Yet another example is in the section of the draft report entitled "At a Glance." In this section, the draft report states, "Improved contract management will help the EPA become a better fiscal steward and save potentially millions of taxpayer dollars." The OIG does not provide facts nor an analysis to estimate the savings of millions of future dollars, so the statement is purely speculative, unsupported, and subjective in nature. Also, language in this section goes on to state that "Contrary to EPA policy and guidance, the contract-level contracting officer's representative paid invoices without input from the EPA staff familiar with Northbridge's work." This statement is incorrect. The CL-COR was the person at EPA most familiar with Northbridge's work, as they had been working with the contractor for several years and closely followed all the work being produced by the contractor.

OIG Response 3: The Agency stated that the CL-COR was the person at the EPA most familiar with Northbridge's work, as that CL-COR had been working with the contractor for several years and closely followed all the work being produced by the contractor. The Agency's position is incorrect. The EPA's *Administrative Control of Appropriated and Other Funds* manual states:

Because many agency contracts involve numerous tasks for the contractor to perform, the COR delegates the review of invoices to the local work assignment manager or delivery order COR. These officials are in a better position to approve the invoices, since they work more closely with the contractor, and are more familiar with the actual goods and/or services being delivered.

For this contract, the CL-COR told us that there was no time to wait for input from the WACORs. The CL-COR also told us that there is an unwritten agreement between CL-CORs and WACORs: if a WACOR notices something wrong with an invoice, the WACOR will contact the CL-COR. Otherwise, the assumption is that the invoice is approved for payment.

Additionally, in Chapter 2, the OIG states “Further, neither the Agency nor the OIG can determine how the Agency allocated over \$9 million of EPA funds for Contract No. EP-C-16-001.” This statement is incorrect and should be removed. The allocation of the funds to the contract is clearly defined, and all the payments and contract modifications can be found in COMPASS Data Warehouse (CDW). OW sent screenshots from CDW with this information to the OIG on September 5, 2019 (for the base and option period 1).

Also, in Chapter 2, the OIG states, “The Agency risks considerable damage to its reputation if funds need to be recouped from states that received them in error.” EPA has reconciled all funds, confirmed that no funds needed to be recouped from states, and confirmed that no states received excess funds in error. This statement from the OIG is also unsubstantiated and incorrect.

EPA requests that the OIG update the title and the language in the report to reflect findings based solely on factual data. OW and OMS have already taken steps to address the OIG’s recommendations, which are delineated below, along with comments regarding the Report.

II. OW’s Response to the Report and Recommendations:

In Chapter 1, the OIG includes information on Option Period 3 of the contract. Option Period 3 was not reviewed in this audit.

In Chapter 2, the OIG states that the CL-COR did not continuously monitor Northbridge’s work assignments, as required by the Environmental Protection Agency Acquisition Guide (EPAAG). This statement is misleading, and is based solely on one discussion of the Work Assignment Contracts Officer Representative (WACOR) invoice reviews. While the CL-COR may have, on occasion, not provided invoices to WACORs in a timely manner, the CL-COR still monitored the work assignments closely. As previously discussed with the OIG, although the CL-COR monitored the work assignments closely, the Office of Wastewater Management (OWM) has implemented procedures to ensure invoices are provided to WACORs in a timely manner. As noted in the OIG report, several corrective actions were completed by EPA, and these procedures were sent to the OIG on September 10, 2019.

OIG Response 4: The Office of Water’s statement that the OIG’s allegations are unsupported and “based solely on one discussion of the Work Assignment Contracts Officer Representative (WACOR) invoice reviews” is incorrect. The fact-based assertions and deficiencies reported in Chapter 2 were verified and substantiated by numerous individuals, including the retired and successor CL-CORs, the contracting officer, the funds control officer, other Office of Water staff and supervisors, and contractor staff.

In Chapter 2, Table 2 identifies funds that are potentially misallocated, which are factually incorrect:

- a. Table 2 identifies \$129,950.00 that may be owed to Region 9, due to CL-COR reconciliation error and unused funds. No information is provided in the draft OIG report that explains the background on how this number was developed. To cover

the estimated costs of work assignments, proper financial management required these funds to be obligated to the contract before the work had begun. At the completion of the work, \$91,359.11 of the funding was not used. These unused funds were returned to Region 9 in September 2019 and June 2020. This action does not represent a misallocation of funds.

- b. Table 2 identifies \$16,799.69 of unused funds to be returned to Region 9. These funds were returned to the Region in September 2019 due to unanticipated overfunding of the work assignment in the same manner as described in the preceding bullet. This action does not represent a misallocation of funds.
- c. Table 2 identifies \$248,000.00 that Hawaii may owe Headquarters (HQ) and \$244,460.31 that HQ may owe California. Region 9 did not correctly track the funds provided from California and Hawaii, but the Region itself identified the tracking error. OW worked with the Region, Research Triangle Park (RTP), and the contract office to correct the payments in the contract payment system. These changes are currently in process. All funds are accounted for and reconciled. This action does not represent a misallocation of funds.

All Regions have been refunded funds that were in excess on the contract due to unanticipated overfunding of the work assignments, none of which represent a misallocation of funds. As previously stated, the government develops estimates for contractor work, which rarely, if ever, exactly match the actual costs. As noted above and below, the contractor actually spent less money on the contract each option period, which also accounts for part of this refund.

In Chapter 2 (page 9), the OIG states that OW has not provided proof that the financial system does not contain the information to provide all the financial transaction data for EPA Contract No. EP-C-16-001 for reconciliation purposes. The OIG states that the Agency's financial system has captured and retained all financial transactions for EPA Contract No. EP-C-16-001, so that the Agency can complete a comprehensive financial reconciliation for all periods of the contract. During the almost two-year OIG audit process, OW staff and managers worked hundreds of hours to provide analyses, recollections, and information to fulfill the requests of the OIG with multiple iterations of reconciliation provided to the OIG. OW staff also participated in several meetings with the OIG to explain and answer questions on these multiple iterations of reconciliations. OW performed a full and comprehensive reconciliation for the Base Period, Option Period 1, and Option Period 2 of the contract and submitted the document to the OIG on June 24, 2019. OMS confirmed that this reconciliation was valid. OW does not believe that any additional reconciliation or analysis is warranted. The OIG has not provided any factual data to show that any funds have been misallocated. The burden of proof in this context lies with OIG, and here the allegations are unsupported.

OIG Response 5: The following Office of Water statement is both misleading and untrue:

OW performed a full and comprehensive reconciliation for the Base Period, Option Period 1, and Option Period 2 of the contract and submitted the document to the OIG on June 24, 2019. **OMS confirmed that this reconciliation was valid.** *[emphasis added]*

The “full and comprehensive reconciliation” cited by the Office of Water is in actuality a summary schedule of total funds obligated and expended for the aforementioned periods. This summary lacked any financial accounting for the numerous unconventional transactions undertaken by the CL-COR during the course of the contract. In addition, we identified errors and omissions during our analysis of the CL-COR’s reconciliations, including the following errors and omissions in the “Reconciliation of Option Period 2 EPA-16-001 June 24.xlsx” spreadsheet:

1. The CL-COR reported that “Carry-over” funds equaled \$556,684.00; however, Modification 10 indicates that only \$303,718.21 was carried over into Option Period 1.
2. The CL-COR reported that \$770,861.62 was carried over from Option Period 1 to Option Period 2; however, per Modification 14, only \$460,615.27 was carried over.

What is more concerning is that, in an August 20, 2020 reply to the OIG’s follow-up to the Agency’s response to our draft report, the Office of Water and the Office of Mission Support corrected their initial response and verified that neither office validated the reconciliations.

In Chapter 2 (page 10), the OIG states that “The CL-COR denied the OIG access to the Option Period 2 financial transaction spreadsheet, as well as the reconciliations for all the unconventional transactions” representing a violation of the Inspector General Act and Agency Records Retention policies. The CL-COR did not keep this specific spreadsheet, as their understanding of the Agency Records Retention policy was that the spreadsheet did not need to be retained after an option period closed. EPA spent hundreds of hours researching and working to provide responsive documents to all OIG requests over the course of this two-year audit. It is our fullest intention to comply with the Inspector General Act of 1978, as amended, which is why OW now has a process in place that the OIG can work through a single point of contact (POC). This process helps us ensure that we provide the OIG with the information they need in a timely manner. OWM has implemented a standard procedure, which will ensure the retention of these documents, even those considered to be working files.

In several places in Chapter 2, the OIG uses the term “unconventional transactions” to describe the payments by EPA for contractor work. The payment transactions for this contract use a common and conventional method called First In, First Out (FIFO). Since this contract is a Cost Plus Fixed Fee (CPFF) type contract with work assignments, funding is obligated at the contract level, not at the work assignment level. When work assignments are billed, EPA uses the oldest funds (first in) to pay the invoice (first out). This method is widely used and accepted across EPA and the federal government.

OIG Response 6: The Office of Water’s claims that “payment transactions for this contract use a common and conventional method called First In, First Out (FIFO)” and that this methodology is “widely used and accepted across EPA and the federal government” are misleading. During our audit, the chief of staff of the Office of Acquisition Solutions confirmed that the FIFO language is not in the United States Code and that the CL-COR is to follow the accounting procedures and polices identified in EPAAG subsection 32.7.4 for this contract. The Agency relies on EPA Office of Grants and Debarment Policy CGI-01-02, *Multiple Appropriations Awards Policy*, dated June 4, 2001, to support its position that FIFO is permitted. However, this policy, which is applicable to grants and cooperative agreements, does not state that the FIFO method is universally permitted for contracts.

In Chapter 3 (page 13), the OIG states that EPA paid invoices without required input. The CL-COR should have solicited input of WACORs prior to payment of invoices. As previously discussed with the OIG, OWM has already implemented procedures to ensure invoices are provided to WACORs prior to their approval.

In Chapter 3 (page 14), the OIG states “Our analysis of invoices under Contract No. EP-C-16-001 noted significant variances between the hours that Northbridge estimated would be required to complete work under the contract and the actual labor hours expended for some labor categories. Based on our analysis, Northbridge estimated that it would use lower-rate labor categories to perform the work but ultimately used and billed much higher-rate labor categories. These differences in the labor mix used could have been detected had the EPA performed the required invoice reviews.” The OIG also noted that “invoices did not contain, as required by the contract, the hourly rate for each contractor labor category.”

EPA directs the contractor to perform work based on the anticipated expertise and level needed to perform the required work. As performance of the work plan is completed, the complexity of the work and/or unforeseen circumstances may dictate a different labor skill mix as more advantageous to the government. For instance, a complex task may initially not be assigned to a Professional Level (PL) 1 employee as that employee could take double or triple the number of hours to complete the task; instead, during performance, a higher skill level employee may be brought in to complete the work. In addition, many times a higher PL3 or PL4 level employee may still be needed to review and oversee the work of a junior level employee. These scenarios could increase the initial estimated work plan cost to the government. The labor categories identified are only estimates that are done prior to the work commencing the contract, so the final mix of labor hours will rarely identically match the estimates. This situation also supports the use of a CPFF type contract in that the circumstances do not allow EPA to define its requirements sufficiently to allow for a fixed-price type contract. The OIG has provided no evidence to substantiate the supposition that specific work products could be completed by the contractor with lower-rate labor categories (as opposed to higher-rate labor categories) and still result in a satisfactory delivered work product.

In Chapter 4, the draft report states “by comparing estimated work plans to the paid invoices—that the EPA could have potentially saved an additional \$565,529 (Table 6) on

direct labor and associated overhead. Funds could have been saved if Northbridge labor hour estimates had been more accurate.”

OW and OMS note that on a CPFF type contract, labor rates, hours and PLs are estimated in the contract and work plans before work begins. Once the actual work is determined, EPA directs the contractor how to proceed with the work via technical direction and rarely, if ever, do the estimates and actual work hours match exactly. Labor categories needed for each task are variable based on required work and level of expertise needed to perform the work. This situation also supports the use of a CPFF type contract in that the circumstances do not allow EPA to define its requirements sufficiently to allow for a fixed-price type contract. The OIG’s analysis of the costs and labor review shows an assumption is a 1:1 relationship exists between P1 and P4. This assumption is incorrect. Again, the OIG provided no evidence to substantiate its supposition a lower-rate labor category can be substitute for a higher-rate labor category and still have a satisfactory product. It depends on the nature and complexity of the work. Much of the work provided by this contract involves complex financial analysis, which may not be adequately performed by workers with little experience. The report states “We found that Northbridge’s use of the most expensive labor category far exceeded estimates, resulting in increased costs to the government.” The statement is inaccurate. In fact, the report acknowledges that EPA did not utilize all hours/costs for each of the contract periods and that the overall cost of the work performed was lower than estimated. Based on contractor actual expenditures, the government actually saved \$287,960.00 in the Base Period, \$86,009.00 in Option Period 1 and \$278,959 in Option Period 2 for a total of \$652,928.00 overall (as shown in OIG’s Analysis of Data in Table 4). These facts show that EPA achieved cost savings using the higher PL4 level labor category to perform the work required, thus proving EPA actually spent less money than estimated for the work provided by the contractor.

OIG Response 7: The EPA stated:

Based on contractor actual expenditures, the government actually saved \$287,960 in the Base Period, \$86,009 in Option Period 1 and \$278,959 in Option Period 2 for a total of \$652,928 overall (also shown in Table 4). These facts show that EPA achieved cost savings using the higher PL4 level labor category to perform the work required, thus proving EPA actually spent less money than estimated for the work provided by the contractor.

While the EPA is correct that it spent less money overall than the contractor estimated, there is no evidence that the cost savings were due to the use of the higher PL4 labor category. Rather, the evidence suggests that the cost savings were more likely a result of considerably less work being performed than the EPA and the contractor originally estimated. For example, for Work Assignment 08, the EPA and the contractor estimated that 1,240 total hours would be required and divided as follows: 490 hours for PL4, 300 hours for PL3, and 450 hours for PL2. Instead, only 482 total hours were expended, all by the PL4 labor category. It is unlikely that the use of 482 PL4 hours, which closely matches the 490 hours estimated for that specific labor category, was the reason that only 482 of 1,240 estimated hours were expended.

Agreements

No.	Recommendation	Assigned to:	High-Level Intended Corrective Actions	Estimated Completion
3	Review all costs billed on Contract No. EP-C-16-001 and report any improperly paid costs to the OIG.	OW	EPA Regions reviewed all invoices and progress reports for each Region/State work assignment to ensure all costs were appropriately charged.	Completed on June 16, 2020
4	Require and implement internal controls to verify that WACORs use checklists from EPA's Invoice Review and Approval Desk Guide when reviewing invoices.	OW	OW concurs with the OIG and has implemented standard procedures to ensure that these checklists are used when reviewing invoices. No further action is necessary.	Completed on September 10, 2019

Disagreements

No.	Recommendation	Agency Explanation/Response	Proposed Alternative
1	Reconcile all allocation of funds for Contract No. EP-C-16-001's appropriation accounts, individual work assignment funds, and document control numbers; promptly reimburse OW, Regions, and States, as appropriate; and recoup any funds misallocated.	OW prepared and submitted to the OIG a full reconciliation for the Base Period, Option Period 1 and Option Period 2 of the contract on June 24, 2019. EPA worked with each region and reviewed all transactions for each Region/State to ensure all accounts were appropriately charged and reimbursed.	No further action required.

III. OMS's Response to the Report and Recommendations:

Agreements

No.	Recommendation	Assigned to:	High-Level Intended Corrective Actions	Estimated Completion
5	In coordination with the Office of Acquisition Solutions (OAS),	OMS	OMS/OAS concurs with the recommendation to provide training to applicable staff on the	October 16, 2020

	<p>provide training to applicable staff on the EPA Acquisition Guide subsection 42.3.4 requirements for the contracting officer to conduct contracting officer's representative records inspections.</p>		<p>EPA Acquisition Guide subsection 42.3.4 requirements for the contracting officer to conduct contracting officer's representative records inspections.</p> <p>In addition, OAS will send out a reminder flash notice (FN) in reference to EPAAG 42.3.4 Contract Management Plans, notifying acquisition staff of the existing EPA Acquisition Guide's requirements for the Contracting Officer (CO) to conduct contracting officer's representative records inspections and the maintenance of documents in a file.</p>	
6	<p>Develop and implement internal controls to verify that all contracting officers complete contracting officer's representative records inspections annually.</p>	OMS	<p>OMS/OAS concurs with the recommendation to develop and implement internal controls to verify that all contracting officers complete contracting officer's representative records inspections annually.</p> <p>OAS will utilize its existing internal control mechanisms, primarily OAS' Balance Scorecard, Acquisition System Performance Measurement and Management Program Guide, Part 6 - Contract Management Assessment Program, and require enhancement to assessment plans, procedures, and reporting within acquisition groups to assure COs are conducting COR records inspection reviews, as well as performing required contract management functions.</p>	October 16, 2020

Disagreements

No.	Recommendation	Agency Explanation/Response	Proposed Alternative
2	<p>Recommunicate the requirements of the Federal Records Act via policy directive and training to all EPA personnel that they are to cooperate fully with the OIG and provide all information that the OIG requests, whether they have direct possession of that information, cognizance of that information, or access to that information. Reaffirm that denial of access—including intentionally misleading the OIG, screening materials to be sent to the OIG, or delaying or destroying information that the OIG has requested—will not be tolerated and is a violation of the Inspector General Act of 1978, as amended.</p>	<p>EPA’s Office of the Chief Financial Officer (OCFO) has the national lead for coordination and communication on the importance of complying fully with IG requests as detailed in the Inspector General Act of 1978, as amended.</p>	<p>This recommendation should be assigned to OCFO, the national program with the lead on the OIG audit coordination and ensuring that there is communication and coordination in line with the Inspector General Act of 1978, as amended.</p>

If you have any questions regarding this response, please feel free to contact either of us.

cc: OIG: Charles Sheehan, Khadija Walker
 OW: Charlotte Bertrand, Benita Best-Wong, Sharon Vázquez, Tiffany Crawford, Robin Danesi, Andrew Sawyers, Wynne Miller, Raffael Stein, Leo Gueriguian
 OMS: Daniel Coogan, Janice Jablonski, Marilyn Armstrong, Kimberly Patrick, Mitchell Hauser, Celia Vaughn

Distribution

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