



OFFICE OF INSPECTOR GENERAL U.S. ENVIRONMENTAL PROTECTION AGENCY

CUSTOMER SERVICE ★ INTEGRITY ★ ACCOUNTABILITY

Operating efficiently and effectively

The EPA Did Not Follow Agency Policies in Managing the Northbridge Contract and Potentially Violated Appropriations Law

Report No. 22-E-0027

March 31, 2022

Northbridge
Contract

Potential violation

Purpose Statute



This is one of the U.S. Environmental Protection Agency Office of Inspector General’s products associated with EPA Contract EP-C-16-001, which is also known as the Northbridge contract. For details on our other report about EPA Contract EP-C-16-001, refer to:

- *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](#), issued September 25, 2020)*

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Abbreviations:	CL-COR	Contract-Level Contracting Officer Representative
	CO	Contracting Officer
	COR	Contracting Officer Representative
	CWSRF	Clean Water State Revolving Fund
	DWSRF	Drinking Water State Revolving Fund
	EPA	U.S. Environmental Protection Agency
	EPAAG	<i>EPA Acquisition Guide</i>
	EPM	Environmental Programs and Management
	OCFO	Office of the Chief Financial Officer
	OIG	Office of Inspector General
	SRF	State Revolving Fund
	STAG	State and Tribal Assistance Grants
	U.S.C.	United States Code
	WACOR	Work Assignment Contracting Officer Representative

Key Definitions: *Please see Appendix A for key definitions.*

Cover Image: The EPA potentially violated the Purpose Statute in managing the Northbridge contract. (EPA OIG image)

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Office of Inspector General U.S. Environmental Protection Agency **At a Glance**

22-E-0027
March 31, 2022

Why We Did This Evaluation

The U.S. Environmental Protection Agency's Office of Inspector General conducted this evaluation of EPA Contract EP-C-16-001, awarded to Northbridge, to follow up on funding and invoice irregularities in Region 9 for the States of Hawaii and California identified in OIG Report No. [20-P-0331](#).

The purpose of this evaluation was to determine whether (1) the EPA properly approved, paid for, and accounted for charges submitted by Northbridge for work in Region 9 for the States of Hawaii and California under EPA Contract EP-C-16-001 and (2) Northbridge provided acceptable deliverables, as specified in EPA Contract EP-C-16-001 and the associated work plans. This contract provided support services to states for their municipal drinking water and wastewater programs.

This evaluation supports an EPA mission-related effort:

- *Operating efficiently and effectively.*

This evaluation addresses a top EPA [management challenge](#):

- *Managing infrastructure funding and business operations.*

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[List of OIG reports.](#)

The EPA Did Not Follow Agency Policies in Managing the Northbridge Contract and Potentially Violated Appropriations Law

What We Found

While the EPA paid for charges submitted by Northbridge for work conducted in Region 9, the contract-level contracting officer representative did not properly approve or clearly account for the funds and used over \$1.1 million to interchangeably pay invoices for the States of California and Hawaii, as well as other states. While the interchangeable use of funds did not violate any specific contracting criteria, the practice makes it difficult to determine whether funds were properly spent. Because of the payment issues in Region 9, we expanded our evaluation and analyzed all contract spending from the Base Period through Option Period Two.

Because key accounting policies were not adhered to, the EPA cannot ensure that \$6.8 million in appropriated dollars went toward their intended purposes, potentially violating laws.

We found that the Agency did not follow estimated split-funding policy when allocating \$6.8 million for the entire contract during the period we analyzed. Staff did not follow protocols nor obtain proper approvals when paying invoices for the contract according to the EPA's *Administrative Control of Appropriated Funds*, Release 3.2, known as the *2008 Funds Control Manual*, and the *EPA Acquisition Guide*. These issues occurred because management in the Office of Water and in the Office of Acquisition Solutions, within the Office of Mission Support, did not ensure that the EPA's contract staff understood and adhered to EPA accounting policies. By not following these policies, the staff increased the risk of expending appropriated funds in ways that were inconsistent with the funds' purposes and beyond the amounts available, which could have violated 31 U.S.C. § 1301(a), known as the Purpose Statute, and increased the likelihood of the Agency violating the Antideficiency Act, 31 U.S.C. § 1341(a)(1)(A).

While we confirmed that Northbridge provided acceptable deliverables in Region 9, EPA contracting officers did not follow established acquisition guidance to review and track the completion of these deliverables. Therefore, prior to our assessment, the EPA had no reasonable assurance that Northbridge met performance expectations.

Recommendations and Planned Agency Corrective Actions

We recommend that the assistant administrators for Water and for Mission Support, in coordination with the general counsel and chief financial officer, (1) assess whether and to what extent EPA staff failed to comply with 31 U.S.C. §§ 1301(a) and 1341(a)(1)(A); (2) annually train staff on requirements applicable to funding contract activity using multiple appropriations; (3) review and update internal controls to ensure the segregation of duties between staff, as well as the proper review and tracking of the completion of contractor deliverables.

The EPA agreed with our three recommendations, which are resolved with corrective actions pending.



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

THE INSPECTOR GENERAL

March 31, 2022

MEMORANDUM

SUBJECT: The EPA Did Not Follow Agency Policies in Managing the Northbridge Contract and Potentially Violated Appropriations Law
Report No. 22-E-0027

FROM: Sean W. O'Donnell

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

TO: Radhika Fox, Assistant Administrator
Office of Water

Kimberly Patrick, Principal Deputy Assistant Administrator
Office of Mission Support

This is our report on the subject evaluation conducted by the U.S. Environmental Protection Agency's Office of Inspector General. The project number for this evaluation was [OA&E-FY20-0262](#). 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.

The Offices of Water and Mission Support are responsible for the issues discussed in this report.

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

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

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Chapter 1

Introduction

Purpose

The U.S. Environmental Protection Agency’s Office of Inspector General [initiated](#) this evaluation to determine whether the EPA complied with applicable laws, regulations, and guidance in managing EPA Contract EP-C-16-001, also known as the Northbridge contract, for work in Region 9 for the States of Hawaii and California. The evaluation sought to determine whether (1) the EPA properly approved, paid for, and accounted for charges submitted by Northbridge and (2) Northbridge provided acceptable deliverables, as specified in EPA Contract EP-C-16-001 and the associated work plans.

Top Management Challenge Addressed

This evaluation addresses the following top management challenge for the Agency, as identified in OIG Report No. [22-N-0004](#), *EPA’s Fiscal Year 2022 Top Management Challenges*, issued November 12, 2021:

- Managing infrastructure funding and business operations.

Background

On December 1, 2015, the EPA awarded EPA Contract EP-C-16-001 to Northbridge. As of June 10, 2021, this contract was still active, and the total amount paid was approximately \$11 million. The contract is a cost-reimbursable, fixed-fee, level-of-effort contract with work assignments funded by multiple appropriations.

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. According to this contract, the EPA establishes work assignments that require the contractor to “communicate methodologies and alternatives to promote compliance with” statutory and regulatory requirements of the Clean Water and Safe Drinking Water Acts.

Specifically, under this contract, Northbridge provides:

- Financial analyses.
- Technical support for the:
 - [Clean Water State Revolving Fund](#), or CWSRF, and [Drinking Water State Revolving Fund](#), or DWSRF, programs.
 - State programs.

Key Terms

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.

Level of effort is the number of labor hours required to complete a particular requirement.

Work assignments are written specifications issued by a contracting officer outlining particular work to be performed by a contractor under a contract. Work assignments may include approved or estimated labor hours, periods of performance, schedules of deliverables, and descriptions of the work to be performed.

Invoice is a document from the contractor to the government listing the products and services provided, the amount owed, and the date that the payment is due. In this contract, each month, the contractor submits an invoice for each work assignment worked on that month.

- [Green infrastructure, smart growth](#), and other initiatives.
- [Special Appropriation Act Projects](#).
- Development and implementation support related to the [Water Infrastructure Finance and Innovation Act](#).
- Information and audiovisual materials.
- Support for meetings, briefings, workshops, and conferences.

In September 25, 2020, we issued *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](#), in response to a EPA OIG Hotline complaint concerning the management of EPA Contract EP-C-16-001. In that report, we determined that the Agency lacked sufficient controls in the management of the contract, specifically with respect to the management of paid invoices. As a result, neither us nor the EPA could determine how the Agency allocated over \$11 million in EPA funds for the contract.

During the previous audit, we learned that a former contract-level contracting officer representative, or CL-COR, paid invoices to Northbridge for work completed in Region 9 for the States of California and Hawaii; however, the former CL-COR did not regularly provide the regional work assignment contracting officer representatives, or WACORs, with invoices prior to approving payment or monthly progress reports to confirm that only agreed-upon deliverables were completed, which is required by EPA guidance. We also learned that some states serviced by this contract did not meet State Revolving Fund, or SRF, program performance measures and that some deliverables of the contract were not completed within the expected timelines. This information was the basis for initiating this evaluation.

Laws Governing the Clean Water and Drinking Water State Revolving Funds

The CWSRF was created by the 1987 amendments to the Clean Water Act as a financial assistance program for a wide range of water infrastructure projects. According to the EPA's website, through the CWSRF program, the EPA capitalizes state loan programs, enabling state CWSRF programs to:

[P]rovide loans to eligible recipients to construct municipal wastewater facilities, control nonpoint sources of pollution, build decentralized wastewater treatment systems, create green infrastructure projects, protect estuaries, and fund other water-quality projects. Building on a federal investment of \$46.8 billion, the state CWSRFs have provided \$145 billion to communities through 2020.

The Safe Drinking Water Act authorizes a similar state loan program for DWSRFs to help water systems finance projects needed to comply with drinking water regulations and to protect public health. The Agency awards capitalization grants to each state based upon the results of the most recent *Drinking Water Infrastructure Needs Survey and Assessment*. According to the EPA's website, "Building on a federal investment of over \$21.0 billion, the state DWSRFs have provided more than \$41.1 billion to water systems through 2019."

The EPA used two different appropriation accounts to fund the Northbridge contract: Environmental Programs and Management, or EPM, and State and Tribal Assistance Grants, or STAG. The EPA's EPM appropriation is available for "environmental programs and management, including necessary expenses

not otherwise provided for, for personnel and related costs and travel expenses.”¹ Because the EPM account is specifically available for personnel costs and “necessary expenses not otherwise provided for,” the EPA has historically used the EPM account for salaries and contract costs that directly benefit the EPA in carrying out its statutory functions, except when some other account is designated for a given purpose.

The EPA’s STAG appropriation is available for “environmental programs and infrastructure assistance, including capitalization grants for State revolving funds,” such as CWSRFs and DWSRFs.² Pursuant to 31 U.S.C. § 6304, a grant should be used to transfer a “thing of value” to carry out a public purpose. A grant should not be used to acquire services for the direct benefit of the federal government. Often, the “thing of value” transferred is cash. In lieu of cash, the EPA may provide a grantee with “in-kind assistance” in such forms as property or services. Services procured under a federal contract that are not for the direct benefit of the federal government can be a “thing of value” conferred to a grantee as in-kind assistance.

Under both the Clean Water Act and Safe Drinking Water Act, states are authorized to use a limited amount of the funds for the reasonable costs of administering their respective SRFs.³ Some states use a portion of their cash capitalization grant funds or other cash funds earned by the SRF as authorized by law for this purpose. Other states request that, instead of using cash for administration of their SRFs, the EPA transfer an equivalent value of services to them as in-kind assistance. When a state requests in-kind assistance, that portion of the capitalization grant is not transferred in cash to the state recipient. Rather, the EPA uses STAG funds that would have otherwise been awarded as cash on the capitalization grant to procure services for the benefit of the state instead. In this way, the services are “transferred” to the state. The EPA used the Northbridge contract to transfer in-kind services to states, including California and Hawaii, to administer their CWSRFs and DWSRFs.

Federal Regulations and Agency Policies Used to Administer Funds

The EPA’s *Administrative Control of Appropriated Funds*, known as the *Funds Control Manual*, describes the EPA’s funds-control principles and policies and details their legal basis. The *Funds Control Manual* includes, where possible, the detailed procedures for controlling funds or references the organization or annual guidance where the latest procedures can be obtained.

Two versions of the *Funds Control Manual* apply to the Northbridge contract regarding split-funding. The version issued in 2008 was applicable when the Northbridge contract was initiated. This version was later superseded by the *Funds Control Manual* that became effective in fiscal year 2016. According to the Agency, in the context of split-funding, employees are required to follow the manual that is in effect at the time they take an action affecting funds being used on a contract. Because the Northbridge contract was initiated under the 2008 version of the *Funds Control Manual* and the contract continued after the effective date of the 2016 version, both manuals apply to the contract activity at issue. In this report, we will refer to the 2008 version as the *2008 Funds Control Manual* and the 2016 version as the *2016 Funds Control Manual*. For discussions of provisions that are in each version, we will refer to the *Funds Control Manual*.

¹ See, for example, Consolidated Appropriations Act, 2021, Pub. L. 116-260 (December 27, 2020).

² *Ibid.*

³ See 33 U.S.C. § 1383(d)(7) and 42 U.S.C. § 300j-12(g)(2)(A), respectively.

The *EPA Acquisition Guide*,⁴ known as the EPAAG, explains how EPA staff should obtain, manage, and fund Agency acquisitions of supplies and services. This guidance includes the policies and procedures for proper accounting of appropriations in federal contracts and the criteria for the invoice review process to ensure that “adequate information, proper rationale, and documentation exist to support payment of contractor invoices in a timely manner.” In addition, the EPAAG describes the duties and responsibilities of contracting and program officers in the management of contracts.

Federal Acquisition Regulation part 42, “Contract Administration and Audit Services,” explains the policies and procedures for assigning and performing contract administration and contract audit services. Specifically, *Federal Acquisition Regulation* section 42.1106, “Reporting requirements,” states that “[w]hen information on contract performance status is needed, contracting officers may require contractors to submit production progress reports.” If required, the Agency must review and verify the accuracy of contractor reports and advise the contracting officer, or CO, of any required action.⁵ The accuracy of contractor reports is verified by an individual review of each report. In addition, *Federal Acquisition Regulation* section 42.1501 states that agencies must monitor compliance with past performance evaluation requirements by using the metric tools of the Contractor Performance Assessment Reporting System, the official U.S. government source for information regarding contractors’ past performance, to measure the quality and timely reporting of past contractors’ performance information. *Federal Acquisition Regulation* subpart 1.6 pertains to the appointments and authorities of COs and the duties and responsibilities of COs and CL-CORs. This subpart stipulates that a CO has the authority to enter into, administer, or terminate contracts. In addition, *Federal Acquisition Regulation* subpart 1.6 provides criteria to be followed when selecting COs, such as experience and training. The subpart also states that COs are responsible for “ensuring performance of all necessary actions for effective contracting” and that the contracting officer representative, or COR, assists in the technical monitoring or administration of a contract.

U.S. Government Accountability Office’s Standards of Internal Control in the Federal Government

[GAO-14-704G](#), *Standards for Internal Control in the Federal Government*, known as the Green Book, sets forth the five standards and 17 principles of internal control. Two of these standards are the control environment and control activities. These standards are the foundation for establishing and maintaining internal control and identifying and addressing significant management challenges and areas at greatest risk for fraud, waste, abuse, and mismanagement.

As stated in the Green Book, the *control environment* is “the foundation for an internal control system” that provides “discipline and structure, which affect the overall quality of internal control.” The control environment influences how control activities are structured and how objectives are defined. To ensure an effective control environment, management and the oversight body “establish and maintain an

⁴ References to the EPAAG in this report are to the version issued in April 2004. Although a revision of the EPAAG superseded the 2004 version in 2018, the Office of Acquisition Solutions clarified in 2019 that existing contracts in a certain category—which includes the Northbridge contract—remain subject to the 2004 EPAAG for the life of the contracts. The 2004 *EPA Acquisition Guide* governs the EPA’s contract with Northbridge because of the date the contract was initiated.

⁵ In the Northbridge contract, contractor reports are called *monthly progress reports*. The contract’s reports of work require the monthly progress reports be submitted each month with the monthly financial management reports.

environment throughout the entity that sets a positive attitude toward internal control.” Management should:

- Demonstrate a commitment to integrity and ethical values.
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.
- Evaluate the performance of and hold individuals accountable for their internal control responsibilities.

The Green Book describes *control activities* as the actions established by management “through policies and procedures to achieve objectives and respond to risks in the internal control system.” Control activities should be designed by management “to achieve objectives and to respond to risks.” Management accomplishes these tasks by implementing *segregation of duties*, which “divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud.” This segregation includes separating the responsibilities for authorizing, processing, recording, and reviewing transactions and handling any related assets, which ensures that no one individual controls all key aspects of a transaction or event.

Responsible Offices

The Office of Water’s mission is to ensure that the nation’s drinking water is safe and to restore and maintain oceans, watersheds, and aquatic ecosystems to:

- Protect human health.
- Support economic and recreational activities.
- Provide healthy habitats for fish, plants, and wildlife.

The Office of Water administers a wide range of delegated programs and contracts to facilitate this mission. For EPA Contract EP-C-16-001, the Office of Water is the entity requesting the contract. The CL-CORs for the Office of Water perform contract activities for the various Office of Water divisions. CL-CORs serve as programmatic staff that oversee the national administration of the contract. The WACORs serve as the programmatic staff in the regions who primarily ensure the contract work assignments are being completed and paid for in a timely and appropriate manner.

The Office of Acquisition Solutions, within the Office of Mission Support, is responsible for planning, awarding, and administering contracts for the EPA. These duties include:

- Issuing and interpreting acquisition regulations.
- Administering training for contracting and program acquisition personnel.
- Providing advice and oversight to regional procurement offices.
- Providing information technology improvements for acquisition.

The Office of Acquisition Solutions director is the head of contracting activity for the EPA and has the overall responsibility for managing the Contracting Officer Warrant Program. The COs for EPA contracts work in the various Office of Acquisition Solutions divisions.

Scope and Methodology

We conducted this evaluation from August 2020 through July 2021 in accordance with the Council of the Inspectors General on Integrity and Efficiency's [Quality Standards for Inspection and Evaluation](#), dated January 2012. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our review.

For the first objective, we reviewed all 72 invoices for the States of California and Hawaii that Northbridge submitted under EPA Contract EP-C-16-001 for work done in Region 9. We traced California's and Hawaii's invoices to the 12 procurement requests issued for the States of California and Hawaii to determine whether funds retained by the EPA for use as in-kind payments toward California and Hawaii's SRFs were used to pay only that state's invoices.⁶ We identified and calculated the total payments made to other entities using these funds. Because of the payment discrepancies we identified for Region 9, we expanded our evaluation and analyzed all contract spending from the Base Period through Option Period Two. We assessed and recalculated the split-funding ratio for 33 of the contract's vouchers for the Base Period through Option Period Two.⁷

For the second objective, we selected and reviewed all 108 monthly progress reports associated with the three work assignments to determine whether the Northbridge contract deliverables were approved by the EPA and met the EPA's and states' expectations and contract terms and conditions. The monthly progress reports and work assignments were selected based on contractor-cited funding issues and discussions of completed tasks.

In addition, we performed the following steps, which relate to both objectives:

- Reviewed and analyzed:
 - Applicable laws and regulations.
 - EPA policies, procedures, and guidance documents relating to contracts.
- Reviewed EPA Contract EP-C-16-001 to identify all terms and conditions specified in the contract.
- Coordinated with the Office of Water and Region 9 to gather information related to our evaluation objectives.
- Interviewed staff from EPA headquarters, Region 9, and the States of California and Hawaii.

⁶ *In-kind funds* are state STAG dollars that a state requested the EPA retain to use to pay the state's expenses in Contract Number EP-C-16-001.

⁷ In this report, a *voucher* is the cover page that lists the total itemized billed costs of the attached work assignment invoices for that month.

- Determined the contract-management team’s compliance with federal regulations and EPA policies, procedures, and guidance.

Prior Audit Report

As previously stated, we issued Report No. [20-P-0331](#) to address the Agency’s oversight of this contract. This report found that (1) the CL-COR did not provide recommended checklists to contracting staff, who consequently did not adequately monitor the invoices; (2) staff were not aware of EPA guidance regarding inspection requirements; and (3) staff did not follow established policies and procedures for tracking funding decisions. We had six recommendations in this report. Upon report issuance, we accepted the Office of Water’s corrective actions for three recommendations and, after a six-month resolution process, accepted corrective actions associated with the remaining three recommendations. All corrective actions associated with these recommendations are completed.

Chapter 2

The EPA Did Not Adhere to Its Policies and Potentially Violated Appropriations Law

The EPA did not follow contract invoice review and payment policies when approving invoices on the Northbridge contract. Specifically, we found that:

- While the EPA paid for charges submitted by Northbridge for work conducted in Region 9, the CL-COR did not properly approve or clearly account for the funds during the invoice process and used over \$1.1 million to interchangeably pay invoices for the States of California and Hawaii, as well as other states.
- The Agency did not follow estimated split-funding policy when allocating \$6.8 million for the entire contract.

Staff did not follow protocols or obtain proper approvals in accordance with the EPA's *2008 Funds Control Manual* and the EPAAG when paying invoices for the contract, which occurred because management in the Offices of Water and Acquisition Solutions did not ensure that EPA contract staff understood and adhered to EPA accounting policies. By not following these protocols or getting proper approvals, the staff increased the risk of expending appropriated funds inconsistent with the funds' purposes and beyond the amounts available, which could have violated 31 U.S.C. § 1301(a), commonly known as the Purpose Statute, and increased the likelihood of the Agency violating the Antideficiency Act, 31 U.S.C. § 1341(a)(1)(A).

Federal Law Requires that Appropriations Be Used Consistently with Their Congressionally Designated Purpose

Congressionally appropriated funds have a designated purpose and amount for each appropriation and a time frame within which the appropriation is available for use. Pursuant to the Purpose Statute, "appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law," which means that each appropriation may be used only to fund expenditures that are consistent with the congressionally designated purpose of the appropriation. This requirement includes necessary expenses to achieve the purpose of the appropriation, a concept known as the "necessary expense doctrine."

According to the Government Accountability Office's [Principles of Federal Appropriations Law](#), known as the Red Book, there is a three-step analysis used by agencies to determine whether an expenditure is a necessary expense:

- The expenditure must bear a logical relationship to the appropriation sought to be charged. In other words, it must make a direct contribution to carrying out either a specific appropriation or an authorized agency function for which more general appropriations are available.
- The expenditure must not be prohibited by law.

- The expenditure must not be otherwise provided for, that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

Pursuant to the third step of the analysis, when an expenditure is consistent with the purposes of multiple appropriations, if one of the appropriations more specifically covers the expenditure at issue, that appropriation must be used to fund the expenditure. This principle is commonly known as the “specificity principle.” Failing to satisfy the necessary expense analysis or charging a more general appropriation instead of a more specific appropriation generally leads to a violation of the Purpose Statute.⁸ A violation of the Purpose Statute must be rectified by retroactively applying the correct appropriation to expenditures previously funded by another appropriation. If the correct appropriation lacks sufficient available funds to cover the expenditure, a violation of the Antideficiency Act occurs. Pursuant to the Antideficiency Act, a federal employee may not “make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation.” A violation of the Act must be reported immediately to the president, Congress, and comptroller general. Employees who violate the Act may be subject to administrative or criminal sanctions.

The EPA Policies Regarding Work Funded by Multiple Appropriations

The EPA has two overarching frameworks that set the requirements for overseeing accounting for contracts funded by multiple appropriations: the *2008 Funds Control Manual* and the EPAAG. The *2008 Funds Control Manual* requires that “the appropriations cited on the contract must benefit from the work being done by the contractor.” The *2008 Funds Control Manual* further requires that, when a procurement is funded by multiple appropriations, the COR must:

[P]rovide the FMO [funds management officer] with the appropriations (and amounts) on the invoice approval so that vouchers for payment are charged correctly. The finance office will follow the methodology and charge contract vouchers to the appropriate account number and DCN [document control number] as specified in the methodology.

Agency policy requires that the Office of the Controller approval-of-allocation methods be obtained when Agency personnel intend to use more than one appropriation to fund a procurement. The *2008 Funds Control Manual* states that “allocation of funding must be based on appropriation benefit, rather than which account can ‘afford’ the work.” This statement is consistent with the Purpose Statute principle that appropriations must be used in accordance with their congressionally designated purpose.

EPAAG section 32.7.4.5.1(e) discusses procedures that the CO and CL-COR are to follow “when cost-reimbursement term contracts (with work assignments) are to be funded from more than one appropriation.” EPAAG section 32.7.4.5.1(e)(1) states that the CL-COR must document the rationale for using multiple appropriations and include an estimate of the costs to be charged to each appropriation and the method for distributing the costs to the benefitting appropriations. The director of the Financial Management Division or designee must approve the method of distributing costs to the various appropriations. A copy of the approved rationale must be included with the procurement request submitted to the contract office. In addition, EPAAG section 32.7.4.5.1(e) outlines specific procedures

⁸ See, for example, Comptroller General decision B-290005, July 1, 2002, concluding that the U.S. Fish and Wildlife Service violated the Purpose Statute when it failed to use a more specific appropriation to fund legal expenses.

that the CL-COR and the Office of the Controller are to follow to account for and record costs against the benefitting appropriations.

EPAAG section 32.7.4.5.1(e)(6) states:

Prior to the end of each fiscal year covered by the contract, the Project Officer shall review the contract’s funding to determine whether the ratio of obligated funds, including any previous adjustments, coincides with the value of the work benefitting each appropriation.

This provision also requires that the project officer inform the Office of the Controller in writing of any adjustments that should be made to the established ratios.

The EPA Interchangeably Used Funds to Pay Northbridge Invoices for California, Hawaii, and Other States

We found that, while the EPA paid for charges submitted by Northbridge for work conducted in Region 9, there was a lack of clear tracking and accounting of the use of these funds. In our analysis of the \$2,692,451 in in-kind funds retained by the EPA to pay Northbridge invoices related to California and Hawaii, we found that the CL-COR used \$1,118,247 to pay the invoices for work relating to a state other than the state for which the funds were designated (Table 1).

Table 1: Interchangeable use of California and Hawaii funds to pay Northbridge invoices

Item number	Fund	Payment amount	Payment designation
1	California in-kind	\$274,291	Paid for Hawaii work assignment costs.
2	California in-kind	414,819	Paid for work assignment costs for other states.
Subtotal	California	\$689,110	California funds used to pay other states costs.
3	Hawaii in-kind	250,855	Paid for California work assignment costs.
4	Hawaii in-kind	178,282	Paid for work assignment costs for other states.
Subtotal	Hawaii	\$429,137	Hawaii funds used to pay other states costs.
Total	Payments	\$1,118,247	Total payments used to pay other states costs

Source: OIG calculation of California and Hawaii payments (EPA OIG table)

While we did not find any criteria that prohibited the Agency from using one state’s in-kind funds to pay invoices for work relating to another state, we initially could not determine whether the states received the full amount due to them from the EPA. The EPA explained that, when contract work assignments are billed, the EPA uses the oldest funds to pay the invoice—a funding method referred to as “first in, first out.” The EPA explained further that, for a cost-reimbursement contract with work assignments, funds are obligated at the contract level and not to each work assignment. During this evaluation, the Office of Water provided a reconciliation linking appropriation accounts to document control numbers and stated that each region had certified that the states’ accounts were made whole.

The EPA Did Not Follow Split-Funding Policies or Adhere to Split-Funding Estimates and Potentially Violated the Purpose Statute

Because of the payment issues we identified in Region 9, we expanded our evaluation and analyzed all contract spending from the Base Period through Option Period Two. We assessed the split-funding ratios for 33 contract vouchers totaling \$6,805,902.26 for the Base Period through Option Period Two.

We found that the EPA did not follow policies and procedures for split-funding payments when paying for charges submitted by Northbridge for all work on this contract. The CL-COR did not follow the requested 90-percent EPM and 10-percent STAG split-funding ratio allocation when approving payments to the contractor and did not annually assess or inform the Office of the Chief Financial Officer of the updated funding ratios used. By not complying with the Agency’s split-funding policies and procedures, the EPA increased the likelihood of violating the Purpose Statute and, in turn, the Antideficiency Act.

In the initial split-funding request memorandum to the OCFO in 2015, the Office of Water estimated that it would use 90-percent EPM and 10-percent STAG funds to pay for a contract then being recompeted to “provide support to EPA Headquarters and, [sic] Regions, and States in the management and oversight of Clean Water and Drinking Water State Revolving Fund Programs.” According to the request, these programs “assist States, local communities, public water systems and Indian Tribes in financing the infrastructure necessary to achieve compliance with [Clean Water Act] and [Safe Drinking Water Act] requirements.”

The CL-COR did not comply with the requirements set forth in the EPA’s *2008 Funds Control Manual*, the EPAAG, or Office of Comptroller Policy 96-05. Specifically, the CL-COR proceeded with the contract without the OCFO’s approval of the split funding. In addition, the CL-COR did not conduct required ongoing payment oversight, such as:

- Obtaining the WACOR’s concurrence before approving the invoices for payment.
- Informing the OCFO of the funding ratio when submitting invoices for payment.
- Preparing year-end reconciliations or calculating year-end adjustments, as required for contract activity funded by multiple appropriations.
- Annually informing the OCFO of the updated funding ratio used.

In response to our previous audit of the Northbridge contract, the EPA implemented a standard operating procedure in 2019 to ensure WACOR concurrence before approving invoices for payment. Additionally, the EPA employs a system for invoice payment that does not notify the OCFO of funding ratios for each invoice. The EPA stated that it has corrected discrepancies in the appropriations split and will, for future contracts, provide multiple-appropriation memorandums in accordance with OCFO policy.

As identified in Table 2, we determined that, of \$6,805,902.26, the CL-COR paid \$4,114,909.84 with STAG appropriation funds or \$3,434,319.61 more than the estimated allocation.

Table 2: Estimated versus actual appropriation dollars used for California and Hawaii (as of August 2021)

	Estimated ratio percentage	Estimated dollars	Actual ratio percentage	Actual dollars	Variance (actual less estimated)
EPM	90%	\$6,125,312.03	39.54%	\$2,690,992.42	(\$3,434,319.61)
STAG	10%	\$680,590.23	60.46%	\$4,114,909.84	\$3,434,319.61
Dollars spent	100%	\$6,805,902.26	100%	\$6,805,902.26	

Source: OIG analysis of estimated versus actual split-funding appropriation dollars and ratios. (EPA OIG table)

In addition, as seen in Table 3, we found that, in the Base Period and Option Periods One and Two, the split-funding ratio that the EPA used varied widely from the initial estimate.

Table 3: Split-funding ratios by contract year (as of August 2021)

	EPM	STAG
Base Period	32.1%	67.9%
Option Period One	48.8%	51.2%
Option Period Two	46.7%	53.3%

Source: OIG calculation of split-funding ratios by contract year. (EPA OIG table)

During this evaluation, we learned that the 2015 split-funding request for the contract was never approved. Although the OCFO did not approve the split-funding request at that time, the EPA funded the contract using EPM and STAG funds.

The Office of Water submitted an after-the-fact split-funding request memorandum to the OCFO that asked for retroactive approval of the split funding. In January 2021, during this evaluation, the OCFO approved the request. In the memorandum, the Office of Water offered the following rationale to explain the ratios used:

At the time of the original memo [2015], EPA was developing the five-year contract for this support and made a 90% EPM and 10% STAG funding split estimate several months in advance of the contract award. Our understanding was that this estimate was based on historical state usage of previous contracts and concerns over the ability to accommodate state work within the allotted contract. Subsequent to the contract award, there was an increased demand from the states to have the contractor perform upgrades to their financial systems work and along with various specialized management support activities (e.g., cash modelling). Many of these activities were as a result of specific Agency initiatives launched after the award. Finally, the estimate was based on a projected \$31.7 million procurement. However actual funding of contract has been significantly less than this original procurement projection. Therefore, in absolute terms when factoring in our projected total procurement amount (i.e., \$31.7 million), we did not significantly deviate from our original 10% estimate. For these reasons at the time of award, OW [Office of Water] was not in a position to accurately predict the amount of additional services or entities that would request support under the contract vehicle.

The 2021 memorandum explained that EPM funds are “used to support the CWSRF and DWSRF programs by providing financial assessment. [sic] technical, logistical and ancillary support services,” and STAG funds “from the states are used to support the same financial assessment, technical, logistical and ancillary support and is considered in-kind services under the contract.” Both the 2015 and 2021 split-funding request memorandums asserted that “All the work under this contract is eligible for funding by either the EPM or STAG appropriation.” Even though the Office of Water updated its request and gained approval from the OCFO to change its split-funding ratios in the fourth year of the contract, the CL-COR should have been assessing and updating the split-funding ratios annually when conducting the year-end adjustments of the appropriations, as required by the *2008 Funds Control Manual* and EPAAG section 32.7.4.5.1(e)(6).

The Office of Water’s variable split-funding ratio is among several indicators that the Agency may have failed to comply with the Purpose Statute. Some variation in the split-funding ratio is to be expected

given year-to-year fluctuations in contract activity and EPA oversight thereof. However, the roughly 58-percent difference between the initial estimated ratio and the Base Period ratio, as well as another 14- to 17-percent difference in subsequent option periods, indicated that the EPA may be using the funds interchangeably rather than consistent with the funds' congressionally designated purposes.

Because the EPA's STAG appropriations are for environmental programs and infrastructure assistance, including SRFs, STAG is a more specific appropriation than EPM for use in transferring in-kind services to California and Hawaii to administer their CWSRFs and DWSRFs. The Agency adopted the same view in its response to our draft report, stating that EPM and STAG are not equally available for the same purpose, rather, STAG is the more specific appropriation for performing SRF work on behalf of the states. In some instances, however, the EPA indicated that EPM and STAG were equally available for use to fund work performed by Northbridge for the benefit of California and Hawaii. As noted above, in both the 2015 and 2021 split-funding request memorandums to the OCFO, the Office of Water asserted that all the work under this contract is eligible for funding by either the EPM or STAG appropriation. The OCFO approved the 2021 memorandum, signaling concurrence with the memorandum's contents. Because of the erroneous understanding by key Office of Water and OCFO personnel that EPM and STAG could be used interchangeably to fund the Northbridge contract, the EPA potentially used EPM funds to pay for contract activity more specific to the purposes of the STAG appropriation, which would constitute a violation of the Purpose Statute.

The EPA Management Did Not Ensure Adherence to Agency Policies

Management in the Offices of Water and Acquisition Solutions did not ensure that the CO and CL-COR—the employees who conducted the oversight of the contract—adhered to key Agency policies and procedures. Both the Offices of Water and Acquisition Solutions are responsible for ensuring that the COs and CL-CORs have the necessary training in appropriations law; regulations; and Agency policies, procedures, and other guidance governing single- and multiple-appropriation contracts. *Federal Acquisition Regulation* section 1.602-2 and EPAAG section 1.6.4.5.1 require that the CO ensure compliance with the terms of the contract and safeguard the interests of the government. Further, *Federal Acquisition Regulation* section 1.604 and EPAAG section 1.6.5.6 require that the CL-COR, as an authorized representative of the CO nominated by the program office, assist in the technical monitoring or administration of a contract. These documents require the CO and CL-COR to be knowledgeable of and to collaborate in all aspects of the contract.

During our prior audit, both the CO and the CL-COR informed us that they were unfamiliar with fundamental Agency accounting policies and procedures. This was further confirmed with interviews during our audit in which management and staff from both offices appeared to be unfamiliar with how the *2008 Funds Control Manual* and EPAAG should be applied when overseeing EPA Contract EP-C-16-001.

Conclusions

The EPA did not follow Agency policies or procedures when approving, paying, and accounting for contract costs submitted by Northbridge for work in Region 9 and for the contract as a whole. By not adhering to internal policies and procedures and interchangeably using the EPM and STAG appropriations, the Agency did not ensure that each appropriation was used in a manner consistent with its congressionally designated purpose, potentially leading to violations of the Purpose Statute. Because of the interpretation by Office of Water and OCFO staff and management that EPM and STAG could be

used interchangeably to fund the Northbridge contract, the EPA potentially used EPM funds to pay for contract activity more specific to the purposes of the STAG appropriation, which would constitute a violation of the Purpose Statute. If insufficient funds are available to rectify a Purpose Statute violation, an Antideficiency Act violation would also occur. The EPA must improve its adherence to key accounting policies to assure the public that appropriated dollars are going toward their intended purposes and that the EPA is being a rigorous steward of taxpayer dollars.

Recommendations

We recommend that the assistant administrators for the Offices of Water and Mission Support:

1. In conjunction with the chief financial officer and general counsel, assess whether and to what extent EPA personnel failed to comply with 31 U.S.C. §§ 1301(a) and 1341(a)(1)(A) in funding Northbridge activities performed pursuant to EPA Contract EP-C-16-001; provide the results of this assessment, including the relevant invoice numbers and dollar amounts for any violations identified, to the OIG; and take all appropriate corrective actions regarding such violations, if any.
2. Annually train contracting officers, contracting officer representatives, and work assignment contracting officer representatives and maintain documentation of their completion of training on requirements applicable to funding contract activity using multiple appropriations, including requirements found in appropriations law; the *Federal Acquisition Regulation*; the *EPA Administrative Control of Appropriated Funds*, Release 3.2, known as the *2008 Funds Control Manual*; and the *EPA Acquisition Guide*.

Agency Response and OIG Assessment

The Offices of Water and Mission Support agreed with Recommendation 1 and committed to evaluate and fix any discrepancies regarding the use of the correct appropriation to pay for various work performed by the contractor in the Base Period through Option Period Two. The corrective action date for this recommendation is June 30, 2022. This corrective action satisfies our recommendation; therefore, Recommendation 1 is resolved with corrective action pending.

The Office of Mission Support agreed with Recommendation 2 and stated that the Office of Acquisition Solutions will conduct annual training for COs, CORs, and WACORs on requirements applicable to funding contract activity using multiple appropriations, including requirements found in appropriations law, the *Federal Acquisition Regulation*, the current *EPA Funds Control Manual*, and the EPAAG, and will maintain documentation of their completion of training. This corrective action will be completed by April 30, 2022, and will be ongoing, as COs, CL-CORs and WACORs change. This corrective action satisfies our recommendation; therefore, Recommendation 2 is resolved with corrective actions pending.

Appendix B contains the Agency's response to the draft report. The Offices of Water and Mission Support provided reactions related to our findings. We made changes to the report where appropriate.

Chapter 3

The EPA Did Not Follow Policy to Track and Verify Contract Deliverables

Agency management did not ensure the proper review and tracking of the completion of deliverables for work performed in Region 9 for the States of California and Hawaii under EPA Contract EP-C-16-001. There was a lack of segregation of duties and responsibilities among the CO, the CL-COR, and the WACOR because EPA staff did not follow federal regulations and Agency guidance in reviewing and tracking the completion of deliverables. Procedures to ensure proper tracking of deliverables for contracts are addressed in the *Federal Acquisition Regulation* and the EPAAG. As a result, the Agency could not ensure the satisfactory completion of the contract's objective to deliver \$2.6 million in technical support for water infrastructure projects to provide reasonable assurance that the two states' systems were in compliance with CWSRF and DWSRF requirements.

Agency Requirements and Guidance on Reviewing Contractor's Monthly Progress Reports

Agency guidance for reviewing contractor performance and invoices consists of the EPAAG and the Office of Acquisition Management, formerly known as the Office of Acquisition Solutions, *Invoice Review and Approval Desk Guide*, dated March 13, 2015. EPAAG section 32.9.1.5(b) describes the duties and responsibilities for CL-CORs and WACORs. These duties include:

- Documenting detailed reviews of invoices and reviewing monthly technical and financial progress reports.
- Ensuring contract performance is commensurate with invoiced charges.
- Communicating with the CO on issues with invoices or the review process.
- Consulting with the CO on any potential problems identified through such reviews.

WACORs are responsible for determining whether the costs and monthly progress reports are allowable, allocable, and reasonable and for recommending approval or disapproval to the CL-COR. EPAAG section 42.3.4.5 states that:

[T]he COR is responsible for contract oversight and maintaining documentation verifying contractor compliance with the terms and conditions of the contract. The COR should document, at minimum, reviews of work plans, monthly progress reports, invoices, receipts, deliverables, technical reports, and tracking of invoiced costs against activities reported in the monthly progress reports.

The Office of Acquisition Solutions' *Invoice Review and Approval Desk Guide* states that "[i]nvoice reviews are a critical function impacting the management of public funds." The *Desk Guide* details the actions that the COs must take when reviewing and processing invoices and maintaining records of these reviews and the actions to take as a result of the reviews. It describes the methodology to be used for monitoring contract performance through the review of work plans, monthly progress reports, and

invoices to ensure the government receives the goods or services for which it has paid. In addition, the *Desk Guide* directs CL-CORs to involve WACORs in the invoice review process. It also provides checklists that the CORs and WACORs can use to review invoices and monthly progress reports.

The monthly progress reports, if required, help the COR effectively monitor the technical progress in the contract. Section IV(2)(g) of the *Desk Guide* details the process and items in the monthly progress reports to be considered by the COR, which includes a list of deliverables for each WACOR during the reporting period. The *Desk Guide* also states that it is a good practice for the COR to annotate the contractor's monthly progress reports. The COR's annotations not only demonstrate the exercise of contract-management oversight but also document questions that arise during the review and should include the contractor's responses. These annotations are intended to support a complete audit trail.

The Northbridge contract includes the *Quality Assurance Surveillance Plan*, which sets requirements for documenting and reviewing invoices and monthly progress reports and any special reporting requirements to compare actual delivery dates against those approved in work assignments.

The EPA Did Not Follow Policy When Tracking and Reviewing Contractor Monthly Progress Reports

We were unable to determine whether Northbridge provided timely and acceptable deliverables because the EPA did not follow federal or Agency guidance to provide documentation verifying that proper oversight was conducted of the level of completion of the deliverables under the contract. However, we independently verified with the States of California and Hawaii that Northbridge provided the deliverables for the states' work assignments, as specified in the contract. These work assignments provided technical support to the States of California and Hawaii to bring their DWSRF and CWSRF loan and grant tracking systems back into compliance.

The CO, CL-COR, and WACOR did not comply with EPA guidance for reviewing monthly progress reports. The CO did not perform annual reviews of the CL-COR's records, including the required invoice checklists and supporting documentation. The CL-COR and WACOR did not annotate or prepare any of the required invoice checklists documenting all required review aspects of the contractor's monthly progress reports. In addition, the CL-COR did not ask Region 9 or California's or Hawaii's program staff for input on the monthly progress reports, as required.

While the contractor's monthly progress reports included some required information, such as project milestones and deliverables and hours and dollars claimed for each month, we did not find other required information such as:

- Documentation of the Agency's approval of the incurred costs, number of hours worked, and quality of the work performed.
- COR-prepared checklist(s) or annotations documenting that the contractor's monthly progress reports were reviewed and that the deliverables were completed in accordance with the work assignment requirements for the contract.
- Documentation supporting the annual contractor evaluation in the Agency's Contract Performance Assessment Reporting System.

Since the CL-COR and WACOR did not provide checklists or annotations documenting their review of the monthly progress reports, we could not determine how the Agency verified the quality and timeliness of the deliverables provided.

In interviews with California State Water Resources Control Board and Hawaii Department of Health staff, we confirmed that Northbridge satisfactorily completed the technical support for the DWSRF and the Loans and Grants Tracking System for the States of California and Hawaii. We also learned that neither the California State Water Resources Control Board nor the Hawaii State Department of Health reviewed the contractor's monthly progress reports. The Hawaii Department of Health only saw the contractor's monthly progress reports at the end of the year for a state-mandated audit. The California State Water Resources Control Board never saw the contractor's monthly progress reports but mentioned that it periodically informed Region 9 of the status of the work with Northbridge.

The EPA Management Did Not Ensure Staff Were Knowledgeable About Oversight Requirements nor Did It Ensure Segregation of Duties

The EPA's management is responsible for overseeing contract personnel managing the contract and ensuring that all federal regulations and Agency guidance are followed. We determined that the EPA neither ensured proper training of roles and responsibilities nor enforced segregation of duties between the CO, CL-COR, and the WACOR.

Successfully managing a contract requires coordination and sharing of duties and responsibilities among Agency contract personnel. In 2015 when this contract was awarded, the CO issued appointment letters for the CL-COR and WACOR for oversight of the work assignments for the States of California and Hawaii, stating that both were equally responsible for:

- Inspecting contract deliverables for conformance to the contract specifications and accepting or rejecting them.
- Reviewing the contractor's monthly progress reports.
- Maintaining copies of all deliverables received under the individual work assignments.
- Inputting, retrieving, and analyzing past performance evaluation reports in the Contract Performance and Assessment Reporting System.

However, neither the former CL-COR nor the WACOR adhered to roles and responsibilities when managing the completion of deliverables under the contract.

In our interviews with Region 9 WACORs, we found that the CL-COR had too much control while overseeing the contract. For example, the CL-COR instructed the WACOR to have minimal involvement in the executing duties that were equally required of both of them. The CL-COR instructed the WACOR to not review the current work and dollars associated, to not attempt to verify the funding or payment of invoices, and to only add funding to a work assignment when directed. Further, as stated in the previous OIG report on this contract, the CL-COR did not provide the invoices or monthly progress reports to the WACOR for review or reconciliation as required. The WACORs followed the faulty instruction of the CL-COR, despite it being contrary to the guidance in the appointment letters.

We found that the CO was unaware of the requirements for overseeing the CL-CORs' work and that the CL-CORs and WACORs were noncompliant with the appointment letters. We found that the EPAAG required the CO to annually review the checklists and documentation from the CL-COR and to document the review in the official contract file using the *Record Inspection Checklist*. Although the CO is the Contractor Performance Assessment Reporting System assessing official, the CO stated that the Contractor Performance and Assessment System assessments were prepared by the primary COR, that the CO only copied and pasted into the system the information provided by the COR, and that no supporting documentation for the reviews existed. The CO also stated that the supporting documentation was not required. However, *Federal Acquisition Regulation* section 42.1501 stipulates that agencies are responsible for monitoring contractor compliance with the past performance evaluation requirements and for using the Contractor Performance Assessment Reporting System tools to measure the quality and timely reporting of past information. EPAAG section 42.15.1.5.1 states that "[t]he contracting officer is responsible for ensuring contractor past performance and integrity information is reported in an accurate and timely manner into the CPARS [Contractor Performance Assessment Reporting System]."

Conclusions

The Northbridge contract was used to administer technical support of key environmental wastewater and drinking water infrastructure projects in California and Hawaii. However, because the EPA did not review and track the completion of the deliverables under the contract, the Agency was at risk of mismanaging the funds and could not provide reasonable assurance that these states' technical support systems were in compliance with CWSRF and DWSRF requirements.

Recommendation

We recommend that the assistant administrators of the Offices of Water and Mission Support:

3. Establish internal controls to ensure the enforcement of segregation of duties between the contracting officer, the contracting officer representative, and the work assignment contracting officer representative and the proper review and tracking of the completion of contractor deliverables.

Agency Response and OIG Assessment

The Office of Mission Support agreed with Recommendation 3 and stated that the Office of Acquisition Solutions will reinforce existing internal controls, including segregation of duties, by reviewing, revamping, and reinforcing the requirements under EPAAG subsection 42.3.4, "Contract Management Plans," emphasizing the proper and consistent use of this contract-management tool for various contract types, as well as the roles, responsibilities, and critical functions performed by COs and CORs during contract administration. In addition, the Office of Acquisition Solutions will highlight, via a flash notice, the CO responsibility to perform COR oversight (EPAAG subsection 1.6.5.12, "Review of Delegated Duties") and the requirement relating to the proper review and tracking of the completion of contractor deliverables. Additionally, the Office of Acquisition Solutions will review its existing *Invoice Review and Approval Desk Guide* to ensure consistency with other related EPAAG sections and the applicable checklists located on the Office of Acquisition Solutions Knowledge Management Site. The

planned completion date is May 31, 2022. This corrective action satisfies our recommendation; therefore, Recommendation 3 is resolved with corrective actions pending.

Appendix B contains the Agency's response to the draft report. The Offices of Water and Mission Support provided responses to our findings. We made changes to the report where appropriate.

Status of Recommendations

RECOMMENDATIONS

Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date
1	14	In conjunction with the chief financial officer and general counsel, assess whether and to what extent EPA personnel failed to comply with 31 U.S.C. §§ 1301(a) and 1341(a)(1)(A) in funding Northbridge activities performed pursuant to EPA Contract EP-C-16-001; provide the results of this assessment, including the relevant invoice numbers and dollar amounts for any violations identified, to the OIG; and take all appropriate corrective actions regarding violations, if any.	R	Assistant Administrators for the Offices of Water and Mission Support	6/30/22
2	14	Annually train contracting officers, contracting officer representatives, and work assignment contracting officer representatives and maintain documentation of their completion of training on requirements applicable to funding contract activity using multiple appropriations, including requirements found in appropriations law; the <i>Federal Acquisition Regulation</i> ; the <i>EPA Administrative Control of Appropriated Funds</i> , Release 3.2, known as the <i>2008 Funds Control Manual</i> ; and the <i>EPA Acquisition Guide</i> .	R	Assistant Administrators for the Offices of Water and Mission Support	4/30/22
3	18	Establish internal controls to ensure the enforcement of segregation of duties between the contracting officer, the contracting officer representative, and the work assignment contracting officer representative and the proper review and tracking of the completion of contractor deliverables.	R	Assistant Administrators for the Offices of Water and Mission Support	5/31/22

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

Key Definitions

Control Activities: The actions established by management through policies and procedures to achieve objectives and respond to risks in the internal control system.

Control Environment: The foundation for an internal control system that provides discipline and structure, which affect the overall quality of internal control.

Cost Reimbursable Contract: This type of contract places more of the risk for cost and performance on the government and requires the highest level of government oversight to ensure the receipt of quality services at a reasonable cost.

Invoice: A document from the contractor to the government listing the products and services provided, the amount owed, and when the payment is due. In this contract, each month, the contractor submits an invoice for each work assignment worked on that month.

Level of Effort: The number of labor hours required to complete a particular requirement.

Segregation of Duties: The division or segregation of key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud.

Split-Funded Contract: A contract funded by more than one appropriation.

Voucher: The cover page that lists the total itemized billed costs of the attached work assignment invoices for that month.

Work Assignment: A project that has its own estimated required labor hours, period of performance, schedule of deliverables, and statement of work to be performed under the overall contract.

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”

FROM: Radhika Fox
Assistant Administrator
Office of Water

For **BENITA
BEST-WONG**

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BENITA BEST-WONG
Date: 2022.02.01
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Lynnann Hitchens
Acting Principal Deputy Assistant Administrator
Office of Mission Support

**LYNNANN
HITCHENS**

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Date: 2022.01.31
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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 Did Not Follow Agency Policies in Managing the Northbridge Contract and Potentially Violated Appropriations Law” Project No. OA&E-FY20-0262 dated December 17, 2021.

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 preparing this draft report on Contract Number EP-C-16-001. The OIG stated in their report that the purpose of this evaluation was to determine whether (1) the EPA properly approved, paid for, and accounted for charges submitted by Northbridge for work in Region 9 for the States of Hawaii and California under EPA Contract EP-C-16-001 and (2) Northbridge provided acceptable deliverables, as specified in EPA Contract EP-C-16-001 and the associated work plans. This contract provided support services to states for their municipal drinking water and wastewater programs. The OIG also stated that their

evaluation was expanded to analyze all contract spending from the Base Period through Option Period Two. EPA worked collaboratively with the OIG resulting in OIG's confirmation that Northbridge provided acceptable deliverables in Region 9.

Currently, OW, OMS, and the Office of the Chief Financial Officer (OCFO) are working to evaluate and fix any discrepancies regarding the use of the correct appropriation to pay for various work performed by the contractor in the Base Period through Option Period Two. The activities to facilitate the corrections are labor intensive, time-consuming, and require sequential actions by OW, OCFO, OMS, the Office of Acquisition Solutions (OAS) and review by the Office of General Counsel (OGC). Once the activities by OW and OMS are completed, OCFO will make the appropriate accounting corrections.

EPA anticipates completion of the corrections by the end of June 2022. After consultation on the corrections, OGC will determine whether an Antideficiency Act (ADA) violation has occurred. EPA anticipates there will be no Antideficiency Act violation, subject to any corrections that can be made using funds available in EPA's fiduciary reserves for the appropriate account.

EPA strongly recommends revising the title and the language in the report to reflect findings based solely on factual data.

II. OW's Response to the Report:

In Chapter 1 on page 2, the OIG states:

During previous audit (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), the OIG learned that a former contract-level contracting officer representative, or CL-COR, paid invoices to Northbridge for work completed in Region 9 for the States of California and Hawaii; however, Region 9 did not approve or fund this work. The OIG learned that the former CL-COR did not regularly provide the regional work assignment contracting officer representatives, or WACORs, with invoices prior to approving payment or monthly progress reports to confirm that only agreed-upon deliverables were completed, which is required by EPA guidance. The OIG also learned that some states serviced by this contract did not meet SRF program performance measures, and that some deliverables of the contract were not completed within the expected timelines. This information was the basis for initiating this evaluation.

The statement that Region 9 did not approve or fund this work is inaccurate. Region 9 provided in-kind services, which are considered funding. We request this phrase be deleted. The previous audit focused on the CL-COR not regularly seeking the input of the regional work assignment manager prior to payment. This issue was corrected via a new policy and accepted by the OIG (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).

In Chapter 1 on page 3, the OIG states:

Congress annually appropriates program funds to the EPA through ten appropriations and their corresponding accounts. The EPA administers both states revolving fund programs, which annually distribute funds to the states for implementation. Funding for the state revolving funds is disbursed from two appropriation accounts: State and Tribal Assistance Grants, or STAG, and Environmental Programs and Management, or EPM. The EPM account funds many crosscutting Agency activities, including grants. The STAG account funds, among other things, grants to states and tribes for water infrastructure and implementation of federal pollution-control programs, a large portion of which goes to the CWSRF and DWSRF. The EPA established the Northbridge contract as a split-funded contract—a contract funded by more than one appropriation—drawing upon the EPM and STAG appropriations to assist states’ CWSRF and DWSRF programs.

This statement is not a legally accurate description of EPA’s account structure, the purposes for which they are available, or the purposes for which they were used. EPA recommends replacing with the statement below, which has been approved by OGC, Civil Rights and Finance Law Office.

EPA used two different appropriation accounts to fund the Northbridge contract: (1) Environmental Programs and Management (EPM), and (2) State and Tribal Assistance Grants (STAG). EPA’s EPM appropriation is available in relevant part for “environmental programs and management, including necessary expenses not otherwise provided for, for personnel and related costs and travel expenses.” See e.g., Consolidated Appropriations Act, 2021, Pub. L. 116-260 (Dec. 27, 2020). As the EPM account is specifically available for “personnel costs,” and “necessary expenses not otherwise provided for,” EPA has historically used the EPM account for salaries and contract costs that directly benefit EPA in carrying out its own statutory functions except where some other account is made more specifically available for a given purpose. See generally GAO, Principles of Federal Appropriations Law at 3-407 through 3-409 (4th ed., 2017) (discussing “specific over general” rule).

EPA’s annual appropriation act makes STAG funds available in relevant part “for making capitalization grants” to the Clean Water State Revolving Funds (CWSRFs) and Drinking Water State Revolving Funds (DWSRFs). See Consolidated Appropriations Act, 2021, Pub. L. 116-260 (Dec. 27, 2020).

Because the STAG account is specifically appropriated “for grants,” in most contexts, EPA uses its STAG account to transfer “things of value” that benefit a public purpose rather than acquiring services for the direct benefit of EPA. See 31 U.S.C. 6304 (a grant should be used to transfer a “thing of value” to carry out a public purpose, as opposed to acquiring services for the direct benefit of the federal government). Often, the “thing of value” transferred is cash. However, in lieu of cash, EPA may provide a grantee with “in-kind assistance,” such as property or services.

Services procured under a federal contract (or part of a contract) that are not for the direct benefit of the federal government can be a “thing of value” conferred to a grantee as in-kind assistance.

Under both the Clean Water Act and Safe Drinking Water Act, states are authorized to use a limited amount of the funds for the reasonable costs of administering their respective SRFs. See 33 U.S.C. 1383(d)(7) (CWSRF); 42 U.S.C. 300j-12(g)(2)(A) (DWSRF). Some states use a portion of their cash capitalization grant funds for this purpose, or other cash funds earned by the SRF as authorized by law. Other states request that instead of using cash for administration of their SRFs, EPA transfer an equivalent value of Northbridge’s services to them as in-kind assistance. When a state requests in-kind assistance, that portion of the capitalization grant is not transferred in cash to the state recipient. Rather, EPA uses STAG funds that would have otherwise been awarded as cash on the capitalization grant to procure the service from Northbridge for the benefit of the state instead. In this way, the services are “transferred” to the state.

In Chapter 1 on page 2, footnotes 2 and 3 state:

(2) The 2008 Funds Control Manual was later superseded by the EPA’s Administrative Control of Appropriated Funds, effective fiscal year 2016. The 2008 Funds Control Manual governs the EPA’s contract with Northbridge because of the date the contract was initiated.

(3) References to the EPA Acquisition Guide in this report are to the version issued in April 2004. Although superseded in November 2020 by the current version of the EPA Acquisition Guide, the 2004 EPA Acquisition Guide governs the EPA’s contract with Northbridge because of the date the contract was initiated.

Not all polices follow the date of contract award through the entire duration of the contract. Internally directed policies that do not impact contractor performance can be changed “midstream” during a contract. EPA is not held to the 2008 Funds Control Manual for the entire duration of a contract just because that contract was awarded before a subsequent Funds Control Manual was released. Later editions of the Funds Control Manuals require split funding approval. EPA proposes correcting the record to reflect that EPA is not required to apply different Funds Control Manuals to different contracts depending on date of award. EPA employees are required to follow the Funds Control Manual in effect at the time they take an action (e.g., obligation) affecting funds being used on a contract. Therefore, EPA recommends that footnote 2 be modified to reflect that split-funding actions became governed by subsequent Funds Control Manuals in effect at the time the funds were being obligated.

Regarding Footnote 3, the EPAAG supersession date cited is incorrect and should be revised to state November 2018 (not November 2020). The portion of the EPAAG at issue was EPAAG Subsection 32.7.4 – Accounting for Appropriations in Contracts (APRIL 2004), and specifically paragraph 32.7.4.5.1, Cost-Reimbursement Term Contracts (with Work Assignments). This paragraph was removed from the EPAAG in November 2018 due to EPA’s decision to stop awarding work assignment type contracts effective June 1, 2018 and purge all references to Technical Direction Documents (TDD) and Work Assignments (WAs) in the EPAAG. Later in

August 2019, the Office of Acquisition Solutions clarified that existing, still active work assignment type contracts using TDDs and WAs, as well as the corresponding EPAAR provisions/clauses, were allowed to continue only through the end of the contracts' period of performance. Those contracts, if they were to continue until their natural expiration, remained subject to the then existing clauses, policies, and procedures for contract administration purposes.¹ In sum, EPA recommends that footnotes 2 and 3 in the draft OIG report be modified to reflect that while most aspects of administering such "legacy" work assignment contracts remained governed by the now-superseded EPAAG (as clarified in 2019), split-funding actions became governed by subsequent Funds Control Manuals in effect at the time the funds were being obligated.

In Chapter 2 on page 8, the OIG states:

Pursuant to the third step of the analysis, when an expenditure is consistent with the purposes of multiple appropriations, if one of the appropriations more specifically covers the expenditure at issue, that appropriation must be used to fund the expenditure. If neither appropriation is more specific to the expenditure at issue, the U.S. Government Accountability Office's comptroller general has opined that "the agency must select which to charge for the expenditure in question," and, once selected, "the agency must continue to use the same appropriation for that purpose unless the agency informs Congress of its intent to change for the next fiscal year." This principle is commonly known as the "specificity principle" or the "pick-and-stick rule." Failure to satisfy the necessary expense analysis, including adhering to the pick-and-stick rule, constitutes a violation of the Purpose Statute. A violation of the Purpose Statute must be rectified by retroactively applying the correct appropriation to expenditures previously funded by another appropriation. If the correct appropriation lacks sufficient available funds to cover the expenditure, a violation of the Antideficiency Act would occur.

¹ See Office of Acquisition Solutions Flash Notice dated June 1, 2018, available at <https://contracts.epa.gov/flashnotices#news18>, https://contracts.epa.gov/sites/oamintra.epa.gov/files/Node_880-Effective_Immediately_COs-CSs_Shall_Not_Include_TDDs_or_WAs_References_or_Provisions-Clauses_in_Solicitations.docx; see also Office of Acquisition Solutions Flash Notice dated August 7, 2019, available at <https://contracts.epa.gov/flashnotices#news19>, https://contracts.epa.gov/sites/oamintra.epa.gov/files/Node_970-Clarification_re_CN_18-16_Several_EPAAG_Subsections_to_Remove_all_References_to_TDD_and_WAs.docx

According to the OGC Civil Rights and Finance Law Office, the “specificity principle” and “pick-and-stick” are two separate concepts. “Specificity” is the principle to apply when one appropriation is more specific than another. By contrast, “pick-and-stick” only applies when neither appropriation is more specific than the other, and both are equally available for the same purpose. Pick-and-stick is not relevant here because EPM and STAG are not both equally available for the same purpose in this context. Rather, STAG is the more specific appropriation for performing SRF work on behalf of the states. In other words, there was no opportunity for EPA to “pick” the more general EPM appropriation. Therefore, EPA recommends removing all discussion of “pick-and-stick” and keeping the more relevant discussion of “specificity.” EPA proposes language below to replace existing statement.

Pursuant to the third step of the analysis, when an expenditure is consistent with the purposes of multiple appropriations, if one of the appropriations more specifically covers the expenditure at issue, that appropriation must be used to fund the expenditure. This principle is commonly known as the “specificity principle.” Failure to satisfy the necessary expense analysis or charging a more general appropriation instead of a more specific appropriation, could lead to a violation of the Purpose Statute. A violation of the Purpose Statute must be rectified by retroactively applying the correct appropriation to expenditures previously funded by another appropriation. If the correct appropriation lacks sufficient available funds to cover the expenditure, a violation of the Antideficiency Act would occur.

In Chapter 2 on page 9, the OIG states:

We found that, while the EPA paid for charges submitted by Northbridge for work conducted for Region 9, there was a lack of appropriate tracking and accounting of the use of these funds. In our analysis of the \$2,692,451 in in-kind funds retained by the EPA to pay Northbridge invoices related to California and Hawaii, we found that the CL-COR used \$1,118,247, shown in Table 1 below, to pay the invoices for work relating to a state other than the state for which the funds were designated.

When contract work assignments are billed, EPA used the oldest funds (first in) to pay the invoice (first out). This method is widely used and accepted across the EPA and the federal government. EPA did not violate any laws or criteria in using the first in first out payment method. In addition, for a cost reimbursement contract with work assignments, funds are obligated at the contract level and not to each work assignment. The OIG confirmed that the first in first out practice was not prohibited. As stated in this report, “While we did not find any criteria that prohibited the Agency from using one state’s in-kind funds to pay invoices for work relating to another state, because of the insufficient tracking of these funds, we had difficulty determining whether the states ultimately received the full amount due to them from the EPA.” The last part of this statement is incorrect. The OIG confirmed that all states funds and accounts were charged appropriately, and EPA provided documentation in the reconciliation that was provided to the OIG in response to the first audit of this contract. The OIG stated in the first audit report and quoted in this current draft report, “During this evaluation [referring to the first

audit], the Office of Water provided a reconciliation linking appropriation accounts to document control numbers and stated that each region had certified that the states' accounts were made whole." For this reason, this finding should be removed from this report.

In Chapter 2 on page 10, the OIG states:

We found that the EPA did not follow policies and procedures for split-funding payments when paying for charges submitted by Northbridge for all work on this contract. The CL-COR did not follow the requested 90-percent EPM and 10-percent STAG split-funding ratio allocation when approving payments to the contractor and did not annually assess or inform the OCFO of the updated funding ratios used. By not complying with the Agency's split-funding policies and procedures, the EPA increased the likelihood of violating the Purpose Statute and, in turn, the Antideficiency Act.

When OW prepared and submitted the original multiple appropriation to Office of Chief Financial Officer (OCFO) in 2015, OW was developing the five-year contract for this support and made a 90% EPM and 10% STAG funding split estimate several months in advance of the contract award. After contract award, actual work determined the contract usage that deviated from the original split estimates, which is expected as estimates are rarely identical matches to actual expenditures in contracts. As noted in the report, OW submitted a revised multiple appropriation memo with a corrected appropriation split, which OCFO approved. Deviating from the estimated funding splits in the multiple appropriation memo does not constitute a violation of either the Purpose statute or Antideficiency Act per OGC determination. EPA asks that language regarding a violation of the statute and Act are removed.

In Chapter 2 on page 10, the OIG states:

The CL-COR did not comply with the requirements set forth in the EPA's 2008 Funds Control Manual, the EPAAG, or the Office of Comptroller Policy 96-05. Specifically, the CL-COR proceeded with the contract without the OCFO's approval of the split funding. In addition, the CL-COR did not conduct required ongoing payment oversight, such as:

- Obtaining the WACOR's concurrence before approving the invoices for payment.
- Informing the OCFO of the funding ratio when submitting invoices for payment
- Preparing year-end reconciliations or calculating year-end adjustments, as required for contract activity funded by multiple appropriations.
- Annually informing the OCFO of the updated funding ratio used.

EPA has addressed the first bullet regarding obtaining WACOR concurrence before invoice approval. As a result of the previous audit of this contract, EPA implemented a new SOP in September 2019 to address this issue. OW has been following the new SOP since September 2019.

In response to the second bullet stating, “Informing the OCFO of the funding ratio when submitting invoices for payment”, EPA follows the procedures in place for invoice payments outlined in the current Fund Control Manual, which no longer requires informing OCFO of the funding ratio. The payments on this contract have always been made by OW using the EASYLITE system.

In response to the third bullet stating, “Preparing year-end reconciliations or calculating year-end adjustments, as required for contract activity funded by multiple appropriations.”, EPA performed the necessary actions to correct any discrepancies in the appropriations split. The revised multiple appropriations memo was approved by OCFO in January 15, 2021.

In response to the fourth bullet stating, “Annually informing the OCFO of the updated funding ratio used.”, EPA sent an updated appropriation funding memo to OCFO and received their approval. On future contracts, OWM will provide multiple appropriations memos in accordance with the policy set forth by OCFO. In January 2021, OCFO approved the request.

EPA requests that OIG revise the paragraph with the following statement: “EPA implemented an SOP in 2019 to ensure WACO concurrence before approving invoices for payment. Additionally, EPA employs the EASYLITE system for invoice payment which does not include a notification of the OCFO of funding ratios for each invoice. EPA has corrected discrepancies in the appropriations split and will, for future contracts, provide multiple appropriation memos in accordance with the OCFO policy.”

In Chapter 2 on pages 11 through 12, the OIG states:

The Office of Water’s variable split-funding ratio is among several indicators that the Agency may have failed to comply with the Purpose Statute. Consistent with Purpose Statute principles and the pick-and stick rule, the Agency’s 2008 Funds Control Manual states: Where either of two appropriations may reasonably be construed as available for expenditures not specifically mentioned under either appropriation, the determination of the agency as to which of the two appropriations to use will not be questioned. However, once the election has been made, the continued use of the appropriation selected to the exclusion of any other for the same purpose is required. This concept has become known throughout the Federal Government as the “Pick and Stick” rule. If the Agency funded particular categories of the Northbridge contract expenditures from one appropriation and the remaining expenditures with the other appropriation, there would not be a Purpose Statute violation as long as the expenditures funded by each appropriation were consistent with the appropriation’s purpose. That the Office of Water’s split-funding ratio varied from the initial estimate and from year-to-year, however, indicates that the appropriations may have been applied inconsistently to contract expenditures, and inconsistent with their congressionally designated purposes.

According to the OGC Civil Rights and Finance Law Office, this paragraph is factually and legally incorrect. Therefore, EPA requests that this paragraph be deleted. It is not true that a split-funding ratio that varies from year to year is necessarily an indicator of failure to comply

with the Purpose Statute. Any contract vehicle that may be used for more than one purpose (as the Northbridge contract here) could be not only expected, but legally required to have a split-funding ratio that changes from year to year (perhaps even drastically) in response to changing programmatic priorities and requirements. Thus, a variable split-funding ratio over time could just as likely be an indicator of compliance with the Purpose Statute as noncompliance. Additionally, for the reasons discussed above, *see infra* page 4, “pick-and-stick” is not relevant to the Northbridge contract. STAG is the more specific appropriation to perform SRF work on behalf of the states and therefore was required to be used for all such work; there was no opportunity for EPA to “pick” the more general EPM appropriation. As discussed above *see infra* page 1, OW, OMS, and OCFO are working to evaluate and fix any discrepancies regarding the use of the correct appropriation to pay for various work performed by the contractor in the Base Period through Option Two. The amount of variability from year to year will be dictated by the work OW requires the contractor to perform each year based on programmatic needs each year. Thus, even after corrections are complete, EPA expects variability in the percentages of EPM funds vs. STAG funds from year to year, and that variability will be appropriate.

III. OW’s Response to OIG’s Recommendations:

Agreements:

No.	Recommendation	Assigned to:	High-Level Intended Corrective Actions	Estimated Completion
1	In conjunction with the chief financial officer and general counsel, assess whether and to what extent EPA personnel failed to comply with 31 U.S.C. §§ 1301(a) and 1341(a)(1)(A) in funding Northbridge activities performed pursuant to EPA Contract EP-C-16-001; provide the results of this assessment, including the relevant invoice numbers and dollar amounts for any violations identified, to the OIG; and take all appropriate corrective actions regarding such violations, if any.	OW/OMS	EPA will evaluate and fix any discrepancies regarding the use of the correct appropriation to pay for various work performed by the contractor in Option Periods Base through Two. The results of this evaluation and corrections will be used to perform the legal analysis recommended.	June 30, 2022

Disagreements:

None

IV. OMS’s Response to the Report and Recommendations:

Agreements:

No.	Recommendation	High-Level Intended Corrective Actions	Estimated Completion
2	Annually train contracting officers, contracting officer representatives, and work assignment contracting officer representatives on requirements applicable to funding contract activity using multiple appropriations, including requirements found in appropriations law; the Federal Acquisition Regulation; the EPA Administrative Control of Appropriated Funds, Release 3.2, which is known as the 2008 Funds Control Manual; and the EPA Acquisition Guide and maintain documentation of their completion of training.	OAS will conduct annual training for contracting officers, contracting officer representatives, and work assignment contracting officer representatives on requirements applicable to funding contract activity using multiple appropriations, including requirements found in appropriations law; the Federal Acquisition Regulation; the current EPA Funds Control Manual, and the EPA Acquisition Guide, and will maintain documentation of their completion of training.	April 30, 2022; ongoing as COs, CL-CORs and WACORs may change
3	Establish internal controls to ensure the segregation of duties are enforced between the contracting officer, the contracting officer representative, and the work assignment contracting officer representative and the proper review and tracking of the completion of contractor deliverables.	OAS will reinforce existing internal controls including segregation of duties as follows: 1) Review, revamp, and reinforce the requirements under EPAAG Subsection 42.3.4, <i>Contract Management Plans</i> , emphasizing the proper & consistent use of this contract management tool for various contract types, as well as the roles, responsibilities, and critical functions performed by COs and CORs during contract administration. Highlight via a flash notice the CO responsibility to perform COR(s) oversight (EPAAG 1.6.5.12, <i>Review of Delegated Duties</i>) and the requirement relating to the proper review and tracking of the completion of contractor deliverables.	May 31, 2022

		<p>2) Review OAS' existing <i>Invoice Review and Approval Desk Guide</i> to ensure consistency with other related EPAAG sections and the applicable checklists located on the OAS Knowledge Management Site at: https://usepa.sharepoint.com/sites/OARM_Community/oam.kms/SitePages/Toolkit-InvoiceReview.aspx.</p>	
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Disagreements:

None

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

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OW: Bruno Pigott, Macara Lousberg, Chris Lewicki, Tiffany Crawford, Andrew Sawyers,
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