



# 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.