



# At a Glance

*Catalyst for Improving the Environment*

## Why We Did This Review

We conducted this review to determine whether U.S. Environmental Protection Agency (EPA) controls ensure that invoiced contractor costs are properly supported and allowable in accordance with the Federal Acquisition Regulation.

## Background

In 2008, EPA paid contractors \$1.3 billion. To safeguard EPA funds, invoices must be reviewed to determine whether the submitted costs are allowable, allocable, and reasonable.

For further information, contact our Office of Congressional, Public Affairs and Management at (202) 566-2391.

To view the full report, click on the following link:  
[www.epa.gov/oig/reports/2009/20090923-09-P-0242.pdf](http://www.epa.gov/oig/reports/2009/20090923-09-P-0242.pdf)

## ***Contractor Invoice Internal Controls Need Improvement***

### **What We Found**

EPA should improve its invoice review procedures to ensure costs are allowable and supported in accordance with the Federal Acquisition Regulation. During our review, we found (1) invoice reviews were not always documented as required by the Contracts Management Manual (CMM), (2) Project Officer reviews were based on incomplete information, (3) monthly progress reports did not always contain the information needed to evaluate invoices, and (4) Agency staff did not perform required rate verifications and math checks. Some responsible for invoice reviews were unaware of the guidance and checklists in the CMM, did not understand the level of documentation needed to review invoices, or did not adhere to the guidance.

EPA's Office of Acquisition Management (OAM) Financial Monitoring Reviews (FMRs) have identified repetitive findings related to contractor invoices. The FMRs continue to find errors in invoices that should have been identified when EPA employees reviewed the invoices prior to approval for payment. EPA did not develop a corrective action plan to address invoice review internal control weaknesses identified in FMR findings that were applicable across multiple contracts. Instead, FMR findings are resolved on a case-by-case basis.

By not using information on trends identified in the FMR process to improve its policy and procedures, and without adequate controls over the invoice review process, the Agency is vulnerable to fraud, waste, abuse, and mismanagement of the funds that it has a fiduciary responsibility to safeguard.

### **What We Recommend**

We recommend that the Assistant Administrator for Administration and Resources Management require OAM to modify the CMM to require use of the checklist for invoice reviews, and have Contracting Officers verify compliance with the policy during invoice reviews. Further, OAM should take corrective actions in response to the trends identified in the FMR reviews. EPA agreed with the findings and provided corrective action plans for addressing all but one of the recommendations in the report.