



At a Glance

Catalyst for Improving the Environment

Why We Did This Audit

We conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) is timely receiving adjustment vouchers and credits from contractors based on sustained Defense Contract Audit Agency (DCAA) audit results.

Background

DCAA performs audits of final indirect cost rate proposals that impact EPA contracts. After negotiations with the contractor, EPA establishes final indirect cost rate agreements. Once the final indirect cost rate agreement is established, contractors are required to submit adjustment vouchers to EPA within 60 days of the agreement date. These vouchers adjust contractor billings for the differences between billed indirect costs and the indirect costs resulting from the application of the negotiated indirect costs rates for the period specified.

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/2010/20100308-10-P-0075.pdf

EPA Does Not Always Receive Adjustment Vouchers from Contractors

What We Found

EPA does not always receive adjustment vouchers from contractors for final negotiated indirect cost rates. The final indirect cost rate agreements provide the contractor 60 days to submit a voucher for any billing adjustments. For 17 of the 20 DCAA audit reports in our sample, EPA did not timely receive an adjustment voucher on at least one or more EPA contracts. The 20 audit reports impacted 52 EPA contracts, for which EPA did not receive adjustment vouchers for 33. Seven adjustment vouchers were received late. The only nine vouchers that were received timely all involved EPA owing the contractor money.

EPA does not have an effective system to ensure required adjustment vouchers are received. As a result, EPA allowed contractors to keep government funds and provided them with interest-free loans in those cases where the contractor owed EPA money. In some cases, contractors kept money owed the government for years. For example, one contractor that did not submit adjustment vouchers during the life of two 4-year contracts owed the government \$207,494. As a result of our review, EPA received a credit of \$4,713 from one contractor and \$263,193 from another contractor, for a total of \$267,906.

We recommend that the Assistant Administrator for Administration and Resources Management require its Office of Acquisition Management to track receipt of adjustment vouchers and monies owed EPA for final negotiated indirect cost rates. We also made recommendations to identify agreements where adjustments have not been made, require financial administrative contracting officers to provide needed information to contracting officers, and increase contracting officer and projects officer awareness of their responsibilities related to indirect cost rate agreements and adjustment vouchers. EPA agreed with our recommendations or took alternate corrective actions that we considered satisfactory.