



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

Spending Taxpayer Dollars

EPA's Background Investigation Support Contracts and OPM Billings Need Better Oversight and Internal Controls

Report No. 16-P-0078

December 14, 2015

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Abbreviations

CO	Contracting Officer
COR	Contracting Officer's Representative
EPA	U.S. Environmental Protection Agency
EPAAG	EPA Acquisition Guide
EPAAR	Environmental Protection Agency Acquisition Regulation
FAR	Federal Acquisition Regulation
FY	Fiscal Year
HPOD	Headquarters Procurement Operations Division
IA	Interagency Agreement
OAM	Office of Acquisition Management
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PO	Project Officer
PSB	Personnel Security Branch
QASP	Quality Assurance Surveillance Plan
TDL	Technical Direction Letter
USC	U.S. Code
WCF	Working Capital Fund

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At a Glance

Why We Did This Audit

The purpose of this audit was to determine whether: (1) the U.S. Environmental Protection Agency (EPA) is adequately monitoring its Personnel Security Branch (PSB) support contracts to ensure compliance with terms and conditions; and (2) the EPA PSB is complying with agency policies and procedures for interagency acquisitions.

Each year the EPA spends millions of dollars on background investigations. An Office of Personnel Management (OPM) contractor conducts the background investigations, and the PSB uses two support contracts to assist with the processing. Contract EP09W001968 had a maximum potential value of approximately \$13.4 million, and contract EPG11H00279 (still ongoing) has a maximum potential value of approximately \$13.5 million.

This report addresses the following EPA goal or cross-agency strategy:

- *Embracing EPA as a high-performing organization.*

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EPA's Background Investigation Support Contracts and OPM Billings Need Better Oversight and Internal Controls

What We Found

The EPA did not monitor PSB support contracts for compliance with the terms and conditions of the contracts. Specifically, we found that:

- The Contracting Officer's Representative (COR) certification expired.
- Technical Direction Letters are not being issued as required.
- The Contracting Officers are not performing invoice reviews.
- There is no evidence of progress reports received prior to January 2013 as required, and progress reports submitted do not comply with contract terms.
- The COR did not maintain proper contract documentation.
- Contractor incentive fees were paid without adequate evidence that the contractor met Quality Assurance Surveillance Plan standards.
- Quality Assurance Surveillance Plan standards were inadequate in the original contract, but improved in the follow-on contract.

By not maintaining contract documentation, the EPA does not have reasonable assurance that work is progressing according to the contract, or that OPM billings are correct. The agency overpaid approximately \$6,000 over the last 2½ years, and awarded over \$545,000 in incentive fees without adequate support.

The EPA does not have an interagency agreement in place with OPM for background investigation services. Therefore, the EPA cannot ensure proper management and oversight of OPM background investigation services and related billings. In addition, the EPA does not reconcile or review OPM billings for correctness and reasonableness.

Recommendations and Planned Agency Corrective Actions

We recommend that the Assistant Administrator for Administration and Resources Management improve contract management, oversight and internal controls for PSB support contracts. In addition, we recommend that the EPA develop and enter into an interagency agreement with OPM for background investigation services, start to reconcile and review OPM billings for correctness and reasonableness, and reprogram the PSB's background investigation ordering system to prevent overbillings.

The EPA agreed with all 14 recommendations and provided expected completion dates for all corrective actions. All of the agency's proposed corrective actions and planned completion dates meet the intent of the 14 recommendations. No final response from the agency is required because all recommendations are resolved.



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

THE INSPECTOR GENERAL

December 14, 2015

MEMORANDUM

SUBJECT: EPA's Background Investigation Support Contracts and OPM Billings
Need Better Oversight and Internal Controls
Report No. 16-P-0078

FROM:

Arthur A. Elkins Jr.

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over the printed name.

TO:

Karl Brooks, Acting Assistant Administrator
Office of Administration and Resources Management

This is our report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This report represents the opinion of the OIG and does not necessarily represent the final EPA position.

Several offices within the EPA's Office of Administration and Resources Management are responsible for the implementation of the audit recommendations. These offices include the Office of Administration, Office of Acquisition Management, and Office of Grants and Debarment.

Action Required

In accordance with EPA Manual 2750, your office provided acceptable and complete planned corrective actions in response to OIG recommendations. Therefore, all recommendations are resolved pending implementation of the corrective actions. No final response to this report is required.

This report will be available at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

The Office of Inspector General (OIG) conducted an audit of the U.S. Environmental Protection Agency's (EPA's) background investigation services. Our objectives were to determine:

- Is the EPA adequately monitoring its Personnel Security Branch (PSB) support contracts to ensure compliance with terms and conditions?
- Is the EPA PSB complying with agency policies and procedures for interagency acquisitions?

Background

Each year the EPA spends millions of dollars on background investigations. The costs include Office of Personnel Management (OPM) investigations, PSB employees, PSB support contractors, rent, utilities, and other overhead charges. With large spending comes a higher risk of fraud, waste and abuse.

Background investigations are funded and paid through the EPA's working capital fund (WCF). The WCF is a revolving fund authorized by law to finance a cycle of operations in which the costs for goods or services provided are charged to users. The WCF operates like a commercial business within the EPA. Customers such as EPA program offices pay for services received, thus generating revenue.

The WCF consists of activities that provide a variety of services to customers. Background investigation is one of those services. The PSB leads, coordinates and manages background investigation activity, including the initiation and adjudication of background investigations, and granting national security clearances. In fiscal years (FYs) 2013 and 2014, the PSB initiated and adjudicated 3,357 and 3,753 cases, respectively.

The EPA uses eBusiness to order WCF services. eBusiness is a Web-based application that is available via the EPA Intranet and provides the functions to support the WCF. eBusiness also tracks all expenditures related to background investigations and fingerprint checks, and offers transparency and reporting to EPA program offices and regions.

PSB Uses Support Contracts¹

The PSB uses two support contracts to assist in processing background investigations. Contract EP09W001968 was awarded on September 15, 2009, and included a base year and 4 option years. The contract was a time and materials contract with a maximum potential value of approximately \$13.4 million. Based on the contractor's performance, the contract also provided the opportunity for the contractor to earn incentive fees of up to \$673,574. The purpose of the contract was to provide support to the PSB in the following areas:

- Position risk designation.
- Background investigation initiation.
- Adjudicative write-ups and recommendations for suitability and security investigations and processing clearances.
- Homeland Security Presidential Directive 12 smart card identity verification.
- Other applicable activities and functions.

The EPA's Office of Acquisition Management (OAM) initiated an effort to consolidate expiring support contracts and created a workgroup to accomplish this effort. Contract EP09W001968 is one of the contracts being consolidated. Because the new contract vehicle will not be available until early 2016, the EPA awarded contract EPG15H00938 on March 26, 2015. This contract (which the EPA is referring to as a bridge contract) was awarded to ensure continuity of service until the consolidated vehicle is in place. The period of performance of the bridge contract, including all options, runs only through March 31, 2016.

The PSB also receives support under contract EPG11H00279, which was awarded on September 28, 2011. This contract is a time and materials contract with a base year and 4 option years. The maximum potential value of the contract is approximately \$13.5 million. The contract provides for the contractor to analyze, identify and develop strategic and operational opportunities related to the PSB's secure database that collects, stores and shares information used for a variety of agency functions.

New Policy Supersedes Previous Policies and Guidance

On October 1, 2014, the EPA issued a flash notice stating that policy and guidance documents for acquisition management will include the Environmental Protection Agency Acquisition Regulation (EPAAR), Interim Policy Notices, and the new *EPA Acquisition Guide (EPAAG)* exclusively. The *EPAAG* combined the *EPA's Acquisition Handbook* and *Contracts Management Manual* into one guide. Because the new guidance was issued during the period of performance of the

¹ PSB issued purchase orders under General Services Administration contracts. According to the Federal Acquisition Regulation, a purchase order is a contract. Therefore, we are using the term contract throughout the report.

PSB support contracts, we used both the previous and newly issued guidance as criteria during the course of the audit.

Responsible Offices

Several offices within the EPA's Office of Administration and Resources Management are responsible for the implementation of the audit recommendations. These offices include OAM, the Office of Administration, and the Office of Grants and Debarment.

Scope and Methodology

We conducted this performance audit from November 2014 through August 2015 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the EPA adequately monitors its PSB support contracts to ensure contractor compliance with terms and conditions, we reviewed pre-award and post-award documents such as the solicitation, the contractor's proposal, internal reviews, the contract, monthly progress reports, contract modifications, and contractor invoices. We also interviewed the PSB Branch Chief, contracting officers (COs), and the project officer (PO). For both PSB support contracts, the PO is also the contracting officer's representative (COR).

To assess compliance with internal controls, we reviewed the Federal Acquisition Regulation (FAR), the EPAAR, and agency policy pertaining to contract administration and management. In addition, we randomly selected two invoices for both PSB support contracts, and reviewed the invoices to determine whether the costs were allowable, allocable and reasonable in accordance with the FAR and the terms and conditions of the contract.

To determine whether the PSB complies with agency policies and procedures for interagency acquisitions, we reviewed EPA and Office of Management and Budget (OMB) guidance documents, the Economy Act, and FAR Subpart 17.5. We corresponded with OPM, the OPM OIG, and staff from the EPA's Office of General Counsel and Office of Grants and Debarment. We examined EPA procedures for reviewing OPM billings, and reviewed a judgmental sample of OPM billings to determine whether the EPA was being properly billed. We also consulted with the EPA OIG's Office of Counsel about the need for an interagency agreement with OPM.

In performing our audit, we did not review the actual adequacy and quality of background investigations nor the impact on security risk at the EPA.

Chapter 2

EPA Did Not Adequately Monitor PSB Support Contracts for Compliance With Terms and Conditions

The EPA did not monitor PSB support contracts for compliance with contract terms and conditions. Specifically, we found that:

- The COR certification expired.
- Technical Direction Letters (TDLs) are not being issued as required.
- COs are not performing invoice reviews.
- There is no evidence of progress reports received prior to January 2013 as required, and progress reports submitted do not comply with contract terms.
- The COR did not maintain proper contract documentation.
- Contractor incentive fees were paid without adequate evidence that the contractor met Quality Assurance Surveillance Plan (QASP) standards.
- QASP standards were inadequate in the original contract, but improved in the bridge contract.

When the PSB issued the bridge contract, the office took action to clarify contractor responsibilities regarding performance of risk designations.

The FAR, EPAAR and various other EPA guidelines (including the EPAAG) provide guidance for contract administration. However, the EPA did not apply the guidance when administering PSB support contracts. As a result, the EPA is vulnerable to not receiving valuable information about contractor performance.

COR Did Not Maintain Required Certification

CORs not only play a critical role ensuring that contractors meet their contract commitments—CORs also help manage contracts. A September 6, 2011, memorandum from the Office of Federal Procurement Policy (OFPP) governs program requirements for the Federal Acquisition Certification for Contracting Officer's Representatives. To maintain COR certification, CORs are required to complete a specific amount of training every 2 years. COR certification expires if continuous learning requirements are not met.

EPAAG, Subsection 1.6.5, *Contracting Officer's Representatives Three-Tiered Program* (March 2015), states if an employee does not meet the continuous learning requirements and/or does not submit the continuous learning achievement request in the Federal Acquisition Institute Training Application System to maintain the certification, the COR certification

will expire and be revoked. A COR shall provide the supervisor and CO evidence that the COR certification is in good standing at the end of the recertification cycle. The supervisor shall request that the CO remove a COR from a contract(s) who has allowed his/her COR certification to be revoked. The supervisor may re-nominate the previous COR to a contract(s) by submitting a nomination form with a copy of the new COR certification to the CO for appointment.

Expiration of a COR's Certification

The COR assigned to both PSB support contracts did not properly maintain the required COR certification. Based on available documentation, the COR's certification expired in October 2014, and the COR failed to complete the required training to maintain the certification. As a result, the certification was revoked on October 18, 2014. However, the COR's supervisor did not request that the CO remove the COR from the contracts when the certification expired. Subsequently, the COR completed the necessary training in June 2015. The COR did not provide an explanation for not completing the training in a timely manner.

Because the COR did not complete the training, the EPA did not have an adequately trained or certified individual acting on behalf of the CO when it came to reviewing and approving contractor invoices, providing technical direction to the contractor, tracking contract deliverables, monitoring contractor performance, and undertaking other assigned COR responsibilities.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management:

1. Require that the PSB Branch Chief monitor the COR's compliance with applicable training requirements, and report the status to the head of the Security Management Division on a quarterly basis.
2. Require that the PSB Branch Chief renominate the COR with a copy of the new COR training certification documents for both active contracts.

Technical Direction Letters Are Not Issued as Required

EPAAR contract clause 1552.237-71, *Technical Direction*, defines technical direction and who can issue it, outlines its limits, and provides procedures for issuing it. Technical direction is instruction to the contractor and assists the contractor in accomplishing the statement of work (e.g., approving approaches, solutions, designs or refinements; filling in details; completing the general description of work or documentation items; shifting emphasis among work areas or tasks; or providing similar guidance). Technical direction includes the

evaluation and acceptance of reports or other deliverables, and is binding on the contractor. The COR is the primary representative of the CO authorized to provide technical direction on contract performance. Both PSB support contracts contain the EPAAR Technical Direction clause, which states, in part:

Technical direction will be issued in writing or confirmed in writing within five (5) calendar days after verbal issuance. One copy of the technical direction memorandum will be forwarded to the Contracting Officer and the Contracting Officer's Representative.

In addition to the above EPAAR clause, contract EP09W001968 specifically requires that deliverables and due dates for task deliverables be specified in a Technical Direction Letter (TDL) issued to the contractor by the COR. The TDL will specify the tasks ordered. The vendor shall not begin work on any of the tasks under this task order until a TDL has been received.

TDLs Were Not Issued

For both of its support contracts, the PSB does not use TDLs to order work. Instead, the PSB issues verbal requests for contractors to perform work.

According to the PSB Branch Chief, TDLs were not used for contract EP09W001968, even though the contract stipulates that specific requirements, deliverables and due dates will be specified in a TDL issued to the contractor by the COR. For contract EPG11H00279, the PSB does not issue TDLs to assign work, identify deliverables or document verbal requests. The tasks included in contract EPG11H00279 require the COR to make decisions on a regular basis, and those decisions must be communicated via a TDL. For example, a deliverable under Task 1 of the statement of work states:

During the first week of the month, every month, the contractor will review with the client the strategic plan and direction, will discuss upcoming deliverables and deadlines, and will review the goals and how the mandates and guidelines are being addressed. This will present the client with an opportunity to identify the need for changes to the prioritization and plans. The contractor will facilitate regular integrated Project Team (IPT) meetings to solicit feedback and introduce new concepts to the agency's Program Office and Regions, and will ensure the acceptance of program updates incorporate all relevant feedback and input.

Such decisions regarding deliverables must be communicated and documented via a TDL. Our review of the contract files found no evidence the EPA used TDLs to manage the contractor's work.

Verbal Direction Is Given But Not Documented

According to the PSB Branch Chief, contracts are managed verbally because it is more efficient than documenting the ordering of work. The Branch Chief indicated that no other direction is needed for tasks, such as initiation and adjudication services, and discussions on specific case processing. When the PSB interacts with the contractor on specific cases, it is to discuss which cases to prioritize, or whether to accept a recommendation.

The Branch Chief believes that the direction is very operational, and that a TDL for each case might not be effectively managed and would be an inefficient use of time and effort. For example, the PSB might use a TDL if the branch were to expand the scope of the workload or significantly change the direction of the tasking. However, the Branch Chief stated that discussions on specific case processing do not merit a TDL.

Contract EP09W001968 explicitly requires the use of TDLs for specific requirements, deliverables and due dates. For contract EPG11H00279, while the use of TDLs is not explicitly stated in the contract, the COR's decisions also need to be communicated and documented via a TDL, per EPAAR 1552-237-71. However, the COR is not using TDLs for either contract.

Not Using TDLs Increases Risk to the Government

By managing contracts on a verbal basis and not using TDLs, the PSB increases the risk that the contract relationship is characterized as a personal services contract. A personal services contract is characterized by the employer-employee relationship it creates between the government and the contractor's personnel. According to the *Personal Services Review Guide* (included in the 2008 COR Basic Training Course text), one of the questions that can be asked to help determine whether a personal services contract exists is: "Do agency employees instruct the contractor without putting technical direction in writing within five days?"

Having no written record of the COR's technical direction to the contractor presents increased legal risks to the government. During a legal dispute relating to a contract, TDLs would provide proof of what was communicated to and expected from the contractor.

Finally, according to the October 2008 edition of the *Contracting Officer's Representative (COR) Basic Training Course Text*, when reviewing performance, the importance of timely and specific feedback cannot be overemphasized when the COR is working with a fixed rate or a cost-reimbursable level of effort statement of work. This type of statement of work is imprecise and highly dependent on technical direction. Both contracts reviewed are fixed, hourly rate contracts and are highly dependent on technical direction. Without technical

direction documents, a third party is unable to determine whether timely, specific and appropriate feedback is being provided to contractors.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management:

3. Require the COR to take training on how to use TDLs.
4. Require the COR to use TDLs to order and manage work on both of the current PSB support contracts, and specify the requirements, deliverables and due dates for tasks ordered under the contracts.

COs Are Not Performing Invoice Reviews

The *Contracts Management Manual* (Section 11.2), which was in effect through September 2014, states that the CO is responsible for conducting periodic monitoring of processed invoices to ensure the contractor and CORs are fulfilling their roles properly. This periodic monitoring must be frequent enough to ensure all invoice elements are charged properly. Periodic monitoring may include at least one detailed review of an invoice for each contract each year. However, for many contract types, one review may not be sufficient. In those instances, if more frequent monitoring is required to ensure proper invoice approval, the CO must conduct additional invoice reviews.

In October 2014, the EPA combined its *Acquisition Handbook* and its *Contracts Management Manual* to create the *EPAAG*. The *EPAAG* (Section 32.9.1), as well as the EPA's *Invoice Review & Approval Desk Guide*, recommend that the CO perform invoice reviews at least quarterly or more frequently if needed.

Multiple CO Reviews Were Not Conducted

COs did not conduct invoice reviews for either of the PSB support contracts. Contract EP09W001968 was awarded in September 2009, and contract EPG11H00279 was awarded in September 2011. Our audit began in November 2014, at which time at least five annual invoice reviews should have been performed for contract EP09W001968, and three for contract EPG11H00279.

The OAM conducted a March 2012 Contract Management Assessment Program Peer Review of the Headquarters Procurement Operations Division (HPOD) contracting organization. The OAM reported that invoice reviews were not being completed in accordance with policy. The HPOD's FY 2013 corrective action plan in response to the review included a corrective action to address the review's finding on invoice review requirements. Specifically, the corrective action plan

states that to fulfill the annual invoice review requirements, HPOD will implement an invoice review stand-down day. This stand-down day is designed to remind staff about the importance of invoice reviews and help to ensure the annual invoice reviews are completed. The estimated timeframe for implementation was the second quarter of FY 2013.

Workload Hinders Time Needed to Review Invoices

Both COs interviewed cited workload as a reason for not completing invoice reviews. One of the COs said he manages about 20 to 30 contracts. He believes this is a very large workload for any CO, and that neither he nor prior COs conducted invoice reviews. He emphasized that given his workload, he does not have time to perform invoice reviews. Also, he was not aware of the agency's invoice review procedures contained in *EPAAG* Section 32.9.1, Invoice Review, or the *Invoice Review & Approval Desk Guide* posted on OAM's website. Another CO stated she is aware of the policy and guidance; however, due to her workload, no invoice reviews were performed.

The directors for the HPOD and OAM's Policy Training and Oversight Division expressed concern about the lack of staffing. While HPOD indicated in its corrective action plan that it would have a stand-down day to review contractor invoices, HPOD also said that because of inadequate staffing, it has prioritized its work and invoice reviews are a lower priority than legally required activities. The HPOD Director said the stand-down day was before his time, and it is a fair assumption the day did not happen. While the EPA has guidance and policy regarding CO invoice review requirements, the fact that the reviews are not being performed, and that the stand-down day did not occur, indicate a lack of management emphasis and commitment to ensuring the reviews are performed.

Because the invoice reviews were not performed as required, the EPA does not have reasonable assurance that adequate information, proper rationale, and documentation exist to support payment of contractor invoices. The EPA does not have reasonable assurance that the contractors' costs billed are allowable, allocable and reasonable. The lack of reviews may increase the risk that overbilling may occur and not be detected in a timely manner.

Recommendation

We recommend that the Assistant Administrator for Administration and Resources Management:

5. Require that the HPOD Director implement a management internal control to ensure CO invoice reviews are being performed in accordance with the EPA's *Invoice Review & Approval Desk Guide*.

Progress Reports Are Not Complete

Contract EP09W001968 requires that a monthly progress report be submitted with the contractor's invoice. The progress report must contain:

- A combined monthly technical and financial report stating the activities completed, and a description of the work accomplished to support the activities. The work on this report is to be broken down by TDL number and title.
- Specific discussions about the difficulties encountered, remedial action taken during the reporting period, and any remedial action to be taken in the upcoming reporting periods, in order to ensure resolution of the difficulties, and anticipated activity with a schedule of deliverables, if any, for the subsequent reporting period.
- A list of outstanding actions awaiting CO or COR approval, noted with the corresponding TDL.
- The financial status at the contract level.

Contract EPG11H00279 requires that a report be submitted at the end of each month concerning the progress made since the previous report. Progress reports are required to be in writing unless other arrangements are made with the COR.

Both PSB Support Contractors Do Not Provide Required Progress Reports

Both PSB support contractors do not provide required information in their monthly progress reports. The COR's files for contract EPG11H00279 do not contain evidence that the contractor submitted its progress reports. However, the files do contain notes of periodic meetings that took place.

For contract EP09W001968, the COR's files disclosed that progress reports were not maintained prior to January 2013. The contractor has been submitting progress reports since January 2013; however, our review of the November 2014 progress report disclosed that the contractor did not provide required information, such as:

- There is no evidence that the contractor submitted the monthly combined technical and financial report.
- The monthly progress report is not broken down by TDL number and title, as required by the contract terms.
- The monthly progress report does not document discussions on difficulties encountered and remedial action taken, if any, for the subsequent reporting period, or any outstanding actions awaiting CO or COR approval noted with the corresponding TDL.

COR Was Unaware of Requirements

For contract EP09W001968, the COR was not aware of the requirement to retain copies of progress reports because she was new to the role. The COR became aware that she should maintain file copies of notes and reports, etc., during a verbal discussion with another EPA Security Management Division COR. As a result of that discussion, the COR began keeping copies of progress reports in January 2013. For contract EPG11H00279, the COR has not been maintaining progress reports because the PSB did not require them. Instead, the PSB holds regular meetings with the contractor.

By not receiving required progress reports, the EPA is not receiving valuable information regarding contract performance. Without progress reports, it is difficult for the COR to review invoices and monitor the financial status of the project by comparing hours and costs against the activities completed during the invoice period. Moreover, the agency is also lacking an audit trail of the work performed.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management:

6. Require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to notify the contractor about the required monthly progress report elements, and verify and enforce the contractor's submission of all required elements in the progress reports.
7. Require that the COR for contract EPG11H00279 require the contractor to submit monthly progress reports and document the reports in the files.

COR Did Not Maintain Proper Documentation

FAR Subpart 1.604 states, in part:

The COR shall maintain a file for each assigned contract. The file must include, at a minimum:

- A copy of the contracting officer's letter of designation and other documents describing the COR's duties and responsibilities.
- A copy of the contract administration functions that may not be delegated to the COR (e.g., changing the terms of the contract).
- Documentation of COR actions taken in accordance with the delegation of authority.

The *Contract Management Manual*, which was in effect at the time the contracts were awarded, identified the COR as having primary responsibility for verifying compliance with invoice requirements and maintaining other proper contract documentation. The COR's file should include the basic contract, a list of CORs under the contract, correspondence and meetings related to the contract, TDLs, contract deliverables received and reviewed, a payment file, and other items that will provide an audit trail of the contract-level COR's actions under the contract. The files should be maintained in accordance with the EPA's National Records Management Program policy.

Actions Taken Are Not Documented

For both PSB support contracts, contract documents are not maintained in the COR's files for EPA actions taken, as required. For contract EP09W001968, there were no progress reports or contractor invoices in the file for the periods prior to January 2013, and there was no copy of the COR appointment memorandum. For contract EPG11H00279, there were no progress reports in the files or correspondence with the contractors. Other documents not included in the files for both contracts include the final version of the independent government cost estimate and evidence of monthly invoice reviews performed before January 2015.

COR Not Aware of Documentation Requirements

The COR was unaware of file documentation requirements. The COR stated she performs reviews of invoices and progress reports, and has verbal discussions with the contractor's project officer if any questions arise. The COR stated she does not maintain evidence in the files to support her reviews, except that there might be an email on a case-by-case basis. The COR stated she does not have knowledge of the specific invoice review requirements. The COR was unaware of the "Checklist for Invoice Review," (as noted in the *EPAAG*), and did not use the checklist to review monthly invoices until January 2015.

By not maintaining documentation of actions taken, the EPA does not have reasonable assurance that payments to a contractor are for work which is progressing according to the contract. Contract performance must be monitored through review of monthly progress reports and invoices to ensure the government receives what it has paid for. The COR's records must be maintained in an appropriate manner and organized to ensure timely search and retrieval for internal agency use, as well as for responses to outside inquiries. By not documenting TDLs, contractor invoice and progress report reviews, and other actions taken, the EPA does not have reasonable assurance that the contractor is performing in accordance with the contract terms, or that the costs invoiced are allowable, allocable and reasonable in accordance with the contract terms.

Recommendation

We recommend that the Assistant Administrator for Administration and Resources Management:

8. Require the CO to periodically review the COR's contract files to verify proper documentation is being maintained.

Incentive Fees Were Paid Without Adequate Evidence That the Contractor Met Performance Standards

Per the original terms in contract EP09W001968, the EPA established an incentive plan whereby the contractor would be rewarded for achieving PSB goals, and a penalty would be enforced if the goals were not met. The contract states that the contractor receives 5 percent of the annual billable amount if the metrics and certain PSB-specific goals set forth in the QASP are met. If the contractor is awarded this 5 percent incentive, the incentive amount would be paid in addition to monthly invoices received. If the contractor fails to meet all of the requirements in the QASP, the same 5 percent is deducted from the contractor's monthly invoice at the end of the contract year.

Contract EP09W001968 was modified on September 30, 2010, to include an incentive/disincentive fee scale, whereby the contractor could either earn or lose an incentive fee based on different levels of performance. Table 1 lists pay scale factors.

Table 1: Pay scale factors

Number of factors met	Incentive fee awarded
9 of 9 (all)	5% (full incentive fee)
8 of 9	4%
7 of 9	2%
6 of 9	-1%
5 of 9	-2%
4 of 9	-4%
3 or less of 9	-5% (full disincentive fee)

Source: Contract EP09W001968, modification number 8.

The QASP identifies the surveillance method to be used for each of the QASP performance standards, which identify acceptable quality levels. The surveillance method identified for five of the nine QASP performance standards is a review by the PO (the COR) using a statistical sampling of 50 randomly selected cases for each contract year, to determine if the contractor has met the acceptable quality level for the standard.

QASP Reviews Do Not Support Incentive Fees Awarded

Although the EPA awarded the contractor for EP09W001968 incentive fees for all 5 years of the contract, the agency did not have adequate documentation or support for these actions. The COR does not maintain documentation to support her annual QASP reviews. The COR's contract file only contains evidence of one recommendation to the CO to award the full incentive fee due to the contractor meeting performance standards. However, the COR does not maintain supporting documentation to establish a basis for the rating assigned. According to the COR, she uses visual observation to monitor the contractor's performance on a daily basis to support the recommendation to award the incentive fee. She also performs select testing of the documentation related to QASP performance standards. However, she did not maintain documentation of this testing.

By not performing the required analysis and documenting the results, the EPA does not have reasonable assurance that the contractor has met QASP standards, and the EPA awarded over \$545,000 in incentive fees.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to:

9. Document incentive fees and QASP reviews in accordance with the contract.
10. Attend training on contract performance standards and documenting QASP reviews.

QASP Standards Were Inadequate in Original Contract, But Improved in Bridge Contract

FAR Part 46, Quality Assurance, prescribes policies and procedures to ensure that services acquired under government contracts conform to the contract's quality and quantity requirements. It is inherent in "good contracting" to include processes and procedures that ensure the government is getting what it is paying for under the contract terms.

QASP performance standards detail how, what and when the government will survey, observe, test, sample, evaluate and document contractor performance. Performance standards include acceptable quality levels that essentially answer the question: "What is the minimum quality level necessary to meet the mission requirement?" The QASP should focus on quality, quantity and timeliness of the performance outputs to be delivered by the contractor; not the steps required or procedures used. Best practices suggest developing the QASP and the

performance statement of work in tandem, because what is written into the performance statement of work influences what is put into the QASP. Additionally, joint development will force those negotiating the contract to ensure that performance statement of work outputs are measurable.

EPA Interim Policy Notice 14-03, Performance-Based Acquisition, effective October 1, 2014, states that after contract award, the COR is responsible for assessing contractor performance against contract performance standards and in accordance with the QASP.

QASP Performance Standards Are Inadequate

QASP performance standards in the original contract EP09W001968 were inadequate to demonstrate the contractor’s performance met EPA requirements. In some cases, performance standards required the contractor to only meet an acceptable quality level of 51 percent to qualify for the incentive fee. However, the bridge contract EPG15H00938 issued on March 26, 2015, includes acceptable quality levels of at least 95 percent as shown in Table 2.

Table 2: Comparison of acceptable quantity levels

Original contract acceptable quantity level	Bridge contract acceptable quantity level
The majority (51%) of contracts processed will be complete, legible, and error-free and attached to the correct case.	The majority (95%) of contracts processed will be complete, legible, and error-free and attached to the correct cases.
The majority (51%) of the prescreened subjects will be completed within 2 business days of receipt of the last document/information.	The majority (95%) of the prescreened subjects will be completed within 2 business days of receipt of the last document/information.
The majority (51%) of clearances requested are supported by a justification.	The majority (100%) of clearances requested are supported by a justification.

Source: QASPs for contracts EP09W001968 and EPG15H00938.

Unknown Reason for Low Acceptable Quality Levels

The PSB Branch Chief does not know how QASP performance standards in the original contract were derived, or why there were such low acceptance levels for rating performance. The PSB Branch Chief acknowledged that the performance standards used to evaluate contractor performance needed to be better defined. The EPA may not have been receiving high quality performance. Because the performance standards were so low, it was very easy for the contractor to meet these standards and qualify for receiving the incentive fee. Therefore, the EPA may have provided an incentive fee for performance that is not high quality.

Recommendation

We recommend that the Assistant Administrator for Administration and Resources Management:

11. Require the follow-on contract to include performance standards similar in nature and quality levels as those included in the March 2015 bridge contract.

Contract Improvements Taken Regarding Contractor Responsibilities

The original contract EP09W001968 required the contractor to perform final risk designations for positions. As of December 9, 2013, the EPA did not require the contractor to perform the final risk designation for positions. While the EPA did not modify contract EP09W001968 to reflect this change, with the new contract effective April 1, 2015, the performance work statement removes all requirements for the contractor to designate the level of risk for each position.

Agency Response and OIG Evaluation

The agency agreed with all 11 recommendations in this chapter. The agency also provided the expected completion dates for all proposed corrective actions. The agency's proposed corrective actions and planned completion dates meet the intent of all recommendations. Corrective actions for four recommendations are complete (Recommendations 2, 6, 7 and 8). The other seven recommendations will remain open pending completion of the proposed corrective actions (Recommendations 1, 3, 4, 5, 9, 10 and 11). See Appendix A for the complete agency response to the draft audit report.

Chapter 3

EPA Needs an Interagency Agreement With OPM and Should Start Reconciling OPM Billings

The EPA does not have an interagency agreement (IA) in place with OPM for background investigation services. In addition, the EPA is not reconciling or reviewing OPM billings for correctness and reasonableness. Based on OMB's OFPP guidance and the Economy Act, there should be an IA in place between the two federal agencies for these services. The EPA should also reconcile and review OPM billings to ensure proper stewardship of federal resources and strong internal controls.

The PSB did not realize it needed an IA with OPM for background investigation services, and relies on EPA program offices to detect incorrect OPM billings. Without an IA in place, the EPA cannot ensure proper management and oversight of OPM background investigation services and related billings. In addition, without reconciling OPM billings, the EPA does not have reasonable assurance that OPM is billing the agency correctly for background investigation services, which increases the risk of overbilling. The EPA has overpaid OPM approximately \$6,000 over the last 2½ years for such overbillings.

An Interagency Agreement Is Needed With OPM

OFPP guidance states that an IA is needed to support all interagency assisted acquisitions. An IA serves two purposes. First, the IA establishes the general terms and conditions that govern the relationship between the requesting agency and the servicing agency. Second, the IA provides information that is required to demonstrate a bona fide need and authorize the transfer and obligation of funds. Requesting agencies and servicing agencies must carefully delineate their roles and responsibilities in the IA.

An interagency assisted acquisition is a type of interagency acquisition in which the servicing and requesting agencies enter into an IA for the servicing agency to perform acquisition activities on behalf of the requesting agency, such as awarding and administering a contract, task order, or delivery order. Interagency assisted acquisitions are authorized under Section 1535 of Title 31 of the U.S. Code (31 USC §1535), which is commonly referred to as the Economy Act and implemented in FAR Subpart 17.5. The Economy Act provides general authority to undertake interagency acquisitions for supplies and services when more specific statutory authority does not exist. The EPA's use of the OPM contractor to obtain background investigation services falls under the definition of an Economy Act interagency assisted acquisition, and requires an IA between the two agencies.

If an EPA program office requires goods or services, and there is no EPA contract in place to provide the requisite services, a program office may legally obtain the services in accordance with an Economy Act interagency assisted acquisition, provided that the requirements of 31 USC §1535 are met and the procedures in FAR Subpart 17.5 (found at 48 CFR 17.500, including 17.502-2) are followed. This information can be found in the *EPA Legal Opinion Regarding the Use of Interagency Agreements*, dated July 29, 1997.

EPA Has No Agreement Addressing Transfer of Funds

The EPA is not complying with agency policies and procedures for interagency acquisitions. Specifically, there is no IA in place between the EPA and OPM for background investigation services, in accordance with OFPP guidance and the Economy Act. Although there are various agreements in place between the EPA and OPM regarding security clearances, the agreements mainly address the related electronic data transfer and information security aspects. The agreements do not address the transfer of funds or contain the financial terms that have been developed and negotiated between the two federal agencies.

EPA Cannot Ensure Proper Oversight of OPM Billings

The PSB did not realize that an IA with OPM for background investigation services was needed. One potential result of the lack of an IA is that there are no terms laid out, or no true agreement about what is to be billed for the investigations. Without an IA in place with OPM, the EPA lacks clear lines of responsibilities between the agencies related to the EPA's acquisition of background investigation services. According to OFPP guidance, the lack of clear lines of responsibility between agencies has contributed to inadequate planning, inconsistent use of competition, weak contract management, and concerns regarding financial controls.

The Office of Grants and Debarment's *Interagency Agreement Policies, Procedures, and Guidance Manual (IA Manual)* outlines PO responsibilities for the oversight of IAs specific to managing the IA after award, maintaining the IA file, ensuring the propriety of payments, performing and monitoring the IA, and processing the invoice. Without an IA in place, the EPA cannot ensure proper management and oversight of OPM background investigation services and related billings.

Recommendation

We recommend that the Assistant Administrator for Administration and Resources Management:

12. Develop and enter into an IA with OPM, and require that the agreement contain the financial terms of the transactions associated with OPM providing background investigation services for the EPA.

EPA Does Not Verify the Accuracy of OPM Billings

The EPA's Resource Management Directives System: Number 2540-14, referred to as the "Policy Standard for the Working Capital Fund," addresses the operational policies of the WCF. This document states that all WCF operations are conducted with integrity, accountability and transparency to inspire confidence and ensure sound business decisions.

The WCF policy also states that the EPA will maintain internal control over all WCF activities, and that the EPA will follow internal control requirements established by the Federal Managers' Financial Integrity Act. OMB Revised Circular A-123, *Management's Responsibility for Internal Control*, which implements the Federal Managers' Financial Integrity Act and states that federal employees must ensure that federal programs operate, and federal resources are used efficiently and effectively to achieve desired objectives. Programs must operate and resources must be used consistent with agency missions, in compliance with laws and regulations, and with minimal potential for waste, fraud and mismanagement.

As previously noted, the *IA Manual* outlines PO responsibilities for oversight of IAs. Specifically, the *IA Manual* states that the PO must determine whether the invoice costs are necessary, reasonable and allocable to the IA. The PO must also review the invoice and supporting documentation to determine whether the documents adequately describe the progress of work and meet the requirements for invoices as specified in the terms and conditions of the IA.

PSB Does Not Reconcile or Review OPM Billings

The PSB does not reconcile eBusiness charges to OPM billings or review OPM billings for correctness and reasonableness. Our limited review of 10 FY 2014 background investigation transactions found that the EPA was being overbilled for fingerprinting reprints. While only one of our 10 sample transactions related to overbilling for the reprints, there were hundreds of other transactions related to this systemic issue.

The PSB relies on its customers to inform them if there was an incorrect OPM billing. Specifically, PSB staff said the EPA program office is responsible for its business account and should be checking to see if OPM charges are appropriate. The account managers also should notice and address any duplicate charges.

PSB management said the overbilling of reprints was caused because the system was not designed to allow for the correct coding of the reprints, and no additional costs should result to the EPA. When requesting a reprint, the system requires manual entry, because the system does not generate an option for reprint requests.

Without reconciling eBusiness charges to OPM billings, the EPA does not have reasonable assurance that OPM is billing the agency correctly for background investigation services. Not reconciling eBusiness charges increases the risk that OPM may overbill the EPA, and the overbillings may not be detected in a timely manner. Based on calculations the PSB provided, the EPA has overpaid approximately \$6,000 for reprints over the last 2½ years. These costs could have been avoided if the PSB verified the accuracy of OPM billings and had correctly coded information pertaining to the cost of reprints.

Recommendations

We recommend that the Assistant Administrator for Administration and Resources Management:

13. Require the PSB to reconcile eBusiness charges to OPM billings, and review OPM billings for correctness and reasonableness.
14. Require the PSB to reprogram the system so that reprints will not be billed again.

Agency Response and OIG Evaluation

The agency agreed with all three recommendations in this chapter and provided expected completion dates for corrective actions in response to the recommendations. The agency's initial proposed corrective action for Recommendation 13 did not meet the intent of the recommendation. Specifically, Recommendation 13 called for a review of OPM costs for correctness and reasonableness. The agency's response stated that PSB will continue to reconcile incoming OPM bills to ensure that all investigations are properly funded, which is no different than what they were doing before. To be good stewards of taxpayer money, some level of review (e.g., sample, periodic analytical review, etc.) should be performed.

After a subsequent meeting with the agency regarding the proposed corrective action for Recommendation 13, the agency revised its response and concurred with the recommendation. Specifically, the agency stated that on a monthly basis, PSB will reconcile eBusiness charges to OPM billings and review the billings for correctness and reasonableness by using an automated functionality that it will develop to read and track OPM billings against funding related to investigations. This revised proposed corrective action now meets the intent of the recommendation. Therefore, the agency's proposed corrective actions and planned completions dates meet the intent of all three recommendations. These recommendations will remain open pending completion of the proposed corrective actions. See Appendix A for the complete agency response to the draft audit report.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
1	6	Require that the PSB Branch Chief monitor the COR's compliance with applicable training requirements, and report the status to the head of the Security Management Division on a quarterly basis.	O	Assistant Administrator for Administration and Resources Management	12/31/15		
2	6	Require that the PSB Branch Chief renominate the COR with a copy of the new COR training certification documents for both active contracts.	C	Assistant Administrator for Administration and Resources Management	6/30/15		
3	9	Require the COR to take training on how to use TDLs.	O	Assistant Administrator for Administration and Resources Management	3/31/16		
4	9	Require the COR to use TDLs to order and manage work on both of the current PSB support contracts, and specify the requirements, deliverables and due dates for tasks ordered under the contracts.	O	Assistant Administrator for Administration and Resources Management	3/31/16		
5	10	Require that the HPOD Director implement a management internal control to ensure CO invoice reviews are being performed in accordance with the EPA's <i>Invoice Review & Approval Desk Guide</i> .	O	Assistant Administrator for Administration and Resources Management	4/30/16		
6	12	Require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to notify the contractor about the required monthly progress report elements, and verify and enforce the contractor's submission of all required elements in the progress reports.	C	Assistant Administrator for Administration and Resources Management	3/31/15		
7	12	Require that the COR for contract EPG11H00279 require the contractor to submit monthly progress reports and document the reports in the files.	C	Assistant Administrator for Administration and Resources Management	3/31/15		
8	14	Require the CO to periodically review the COR's contract files to verify proper documentation is being maintained.	C	Assistant Administrator for Administration and Resources Management	10/06/15		
9	15	Require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to document incentive fees and QASP reviews in accordance with the contract.	O	Assistant Administrator for Administration and Resources Management	5/31/16		
10	15	Require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to attend training on contract performance standards and documenting QASP reviews.	O	Assistant Administrator for Administration and Resources Management	5/31/16		

RECOMMENDATIONS						POTENTIAL MONETARY BENEFITS (in \$000s)	
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Claimed Amount	Agreed-To Amount
11	17	Require the follow-on contract to include performance standards similar in nature and quality levels as those included in the March 2015 bridge contract.	O	Assistant Administrator for Administration and Resources Management	3/31/16	\$182 ²	\$182
12	19	Develop and enter into an IA with OPM, and require that the agreement contain the financial terms of the transactions associated with OPM providing background investigation services for the EPA.	O	Assistant Administrator for Administration and Resources Management	12/31/15		
13	21	Require the PSB to reconcile eBusiness charges to OPM billings, and review OPM billings for correctness and reasonableness.	O	Assistant Administrator for Administration and Resources Management	3/31/16	\$6	\$6
14	21	Require the PSB to reprogram the system so that reprints will not be billed again.	O	Assistant Administrator for Administration and Resources Management	12/31/15		

¹ O = Recommendation is open with agreed-to corrective actions pending.
C = Recommendation is closed with all agreed-to actions completed.
U = Recommendation is unresolved with resolution efforts in progress.

² Potential monetary benefits of \$181,745 (rounded to \$182,000) calculated by taking the average year incentive fee paid to the contractor and prorating it over the period of performance of the follow-on contract.

Agency Response to Draft Report

October 29, 2015

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Audit Report OA-FY15-0029
“EPA’s Personnel Security Branch Support Contracts and OPM Billings Need
Better Oversight and Internal Controls”, dated September 2, 2015

FROM: Karl Brooks, Acting Assistant Administrator

TO: Janet Kasper, Director
Contracts and Assistance Agreement Audits
Office of Inspector General

Thank you for the opportunity to respond to the issues and recommendations in the subject draft audit report. Attached is a summary of the agency’s overall position on each of the draft report recommendations. In this summary, we have provided high-level intended corrective actions and estimated completion dates in response to each finding.

If you have questions regarding this response, please contact Vaughn Noga, Director, Office of Administration, at 202-564-8400 or Lisa M. Maass, OAM Audit Follow-up Coordinator, at 202-564-2498.

Attachment

cc: Brandon McDowell
Lisa Maass
Raphael Jackson

Subj: Technical Comments Attachment to OIG Draft Audit OA-FY15-0029 “EPA’s Personnel Security Branch Support Contracts and OPM Billings Need Better Oversight and Internal Controls”, dated September 2, 2015

AGENCY’S RESPONSE TO REPORT RECOMMENDATIONS

Recommendation	Corrective Action
<p>1. Require that the Personnel Security Branch Chief monitor the Contracting Officer Representative’s compliance with applicable training requirements, and report the status to the Head of the Security Management Division on a quarterly basis.</p>	<p>1.1. OARM agrees with this recommendation. The PSB Chief is now monitoring the COR’s compliance with applicable training requirements.</p> <p>1.1: Completed: Q3 FY15</p> <p>1.2. OARM agrees with this recommendation. The PSB Chief will report the status to the SMD Director quarterly.</p> <p>1.2: To Be Completed: Q1 FY16</p>
<p>2. Require that the PSB Branch Chief re-nominate the COR with a copy of the new COR certification documents for both active contracts.</p>	<p>OARM agrees with this recommendation. The PSB Chief renominated the COR per the recommendation.</p> <p>Completed: Q3 FY15</p>
<p>3. Require the COR to take training on how to use Technical Direction Letters.</p>	<p>OARM agrees the COR’s should understand how to use TDL’s, however the audit report discussion does not support this recommendation. In the example from contract EPG11H00279, the audit concludes TDL’s should have been prepared in support of the meeting deliverable under Task 1 of the statement of work. Task 1 requires the vendor to provide guidance, advice, and facilitation expertise to ensure continuous operation of the agency’s database of personnel background investigations in a dynamic environment, with constantly changing internal priorities and authoritative (for example OPM and OMB) requirements and mandates. While OARM acknowledges such meetings may include discussions on topics such as a new security mandate not known at contract award, such discussions are within the scope of the contract as described above, and TDL’s are not intended to be used to</p>

	<p>document discussions that clarify or prioritize vendor performance already required under contract terms and conditions.</p> <p>Unlike Task 1 above, Task 6 for “Optional Quantities” states “All future requirements are not yet knownThis task enables to EPA to bring additional resources onto the contract.....Work under this task will be implemented only by additional, express written approval (a TDL) from the COR.” Accordingly, since contractor performance under this task is not defined, the need for TDL’s is anticipated and set forth in the contract.</p> <p>Accordingly, as the above language in the audited contract clearly sets forth when TDL’s are required, the audit discussion does not support the recommendation that the COR does not understand when TDL’s are required.</p> <p>Having explained current contract task terms and conditions above, OARM proposes an alternate corrective action in response to this recommendation. For the follow-on contract/task orders, all TDLs required by the contract will be issued by the COR via an online Task Tracking Tool (T3), and then accepted by the contractor. The T3 tool will serve as an online TDL workflow system for both government and contractor to use in support of contract administration duties.</p> <p>To Be Completed: 3/2016</p>
<p>4. Require the COR to use TDL’s to order and manage work on both of the current PSB support contracts, and specify the requirements, deliverables, and due dates for tasks ordered under the contracts.</p>	<p>OARM agrees with this recommendation in the context of the response to recommendation 3 above. For the follow-on contract/task orders, all TDLs required by the contract will be issued by the COR via an online Task Tracking Tool (T3), and then accepted by the contractor. The T3 tool will serve as an online TDL workflow system for both government and contractor to use in support of contract administration duties.</p>

	To Be Completed: 3/2016
5. Require that the HPOD Director implement a management internal control to ensure Contracting Officer invoice reviews are being performed in accordance with the EPA's <i>Invoice Review and Approval Desk Guide</i> .	OARM agrees with this recommendation, and has identified and documented similar findings under the EPA Balanced Scorecard Peer Reviews conducted in FY 2012, 2013, and 2014. As a result, beginning in FY 2016 the HPOD Director has tasked the Business Analysis and Strategic Sourcing Service Center to develop and implement an approach for overseeing compliance with invoice review policies and guidance under the HPOD Internal Controls Program. To Be Completed: April 2016 – which represents 7 months of implementation.
6. Require that the COR for contract EP09W001968 notify the contractor about the required monthly progress report elements, and verify and enforce the contractor's submission of all required elements in the progress reports.	OARM agrees with this recommendation. Since becoming aware of this requirement, the COR has been maintaining monthly progress report submittals on contract EP-G15H-00938, and is ensuring submitted reports comply with contract terms and conditions. Completed: 3/31/15
7. Require that the COR for contract EPG11H00279 require the contractor to submit progress reports and document the reports in the files.	OARM agrees with this recommendation. Since becoming aware of this requirement, the COR has been overseeing and maintaining monthly progress report submittals. Completed: 3/31/15
8. Require the CO to periodically review the COR's contract files to verify proper documentation is being maintained.	OARM agrees with this recommendation. EPAAG 1.6.5 "Contracting Officer's Representatives Three-Tiered Program" and EPAAG Chapter 42.3.4 "Contract Management Plans" require regular CO oversight of COR contract administration activities. Furthermore, training on the invoice policy including the Invoice Review Desk Guide was conducted in the Headquarters Procurement Operations Division on June 24, 2015. Accordingly, OARM believes sufficient policy and guidance training on contract administration activities exists and has been provided to staff. As a result, OARM views and will

	<p>address this situation as a performance issue surrounding the three contracts audited, versus an indicator of systemic procedural/process issues or lack of guidance/policies.</p> <p>Completed: 10/6/15</p>
<p>9. Require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to document incentive fees and Quality Assurance Surveillance Plan reviews in accordance with the contract.</p>	<p>OARM agrees with the finding and proposes an alternate corrective action in response to this recommendation. As regulation and policy state the CO is ultimately responsible for all contract administration activities, OARM will ensure the CO oversees and participates as necessary in all future QASP and associated incentive fee reviews, including ensuring review results are documented in the contract file. As FAC-C requirements ensure CO's are adequately trained on contract administration responsibilities, with CO oversight the COR will have adequate guidance on performing and documenting future QASP and incentive fee reviews.</p> <p>To Be Completed: 5/2016</p>
<p>10. Require the COR for the bridge contract (EPG15H00938), which replaced contract EP09W001968, to attend training on contract performance standards and documenting QASP reviews.</p>	<p>OARM agrees with the finding and proposes an alternate corrective action in response to this recommendation. As regulation and policy state the CO is ultimately responsible for all contract administration activities, OARM will ensure the CO oversees and participates as necessary in all future QASP and associated incentive fee reviews, including ensuring review results are documented in the contract file. As FAC-C requirements ensure CO's are adequately trained on contract administration responsibilities, with CO oversight the COR will have adequate guidance on performing and documenting future QASP and incentive fee reviews.</p> <p>To Be Completed: 5/2016</p>
<p>11. Require the follow-on contract to include performance standards similar in nature and</p>	<p>OARM proposes an alternate corrective action in response to this recommendation. Decisions regarding how quality should be</p>

<p>quality levels as those included in the March 2015 bridge contract.</p>	<p>assessed, including whether and/or how assessment results should be incentivized, depend upon a number of variables with regard to the terms and conditions of the anticipated contract. For this reason, such decisions are made on a contract by contract basis. As OARM continues acquisition planning and other pre-solicitation activities in support of the anticipated follow-on award, OARM will ensure contract file documentation explains and supports decisions regarding the quality terms and conditions included in the new contract.</p> <p>To Be Completed: 3/2016</p>
<p>12. Develop and enter into an IA with OPM, and require that the agreement contain the financial terms of the transactions associated with OPM providing background investigation services for the EPA.</p>	<p>OARM agrees with this recommendation. PSB will enter into an IA with OPM and ensure that the agreement contains all required terms and conditions, including financial terms, related to transactions associated with OPM providing background investigation services for the EPA.</p> <p>To Be Completed: Q1 FY16</p>
<p>13. Require the PSB to reconcile eBusiness charges to OPM billings, and review OPM billings for correctness and reasonableness.</p>	<p>OARM agrees with this recommendation. PSB will continue to reconcile incoming OPM bills to ensure that all investigations are properly funded. Please Note: The \$6,000 overpayment over 2 ½ years, cited in the report, was caused by a coding problem that will soon be fixed. \$6,000 represents approximately one one-thousandth (.001) of the approximately \$5,500,000 the EPA paid for OPM investigative services over the past 2 ½ years. Also see technical comments attachment.</p> <p>To Be Completed: Q2 FY16</p>
<p>14. Require the PSB to reprogram the system so that reprints will not be billed again.</p>	<p>OARM agrees with this recommendation. PSB identified the coding problem that led to charges for re-fingerprinting. Testing of the system solution has begun.</p> <p>To Be Completed: Q1 FY16</p>

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