



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.