



At a Glance

Why We Did This Review

We performed this audit to determine whether the U.S. Environmental Protection Agency (EPA) has controls in place to identify, record and bill all applicable reimbursable costs; and is accurately computing and billing all applicable reimbursable costs under reimbursable interagency agreements.

Reimbursable interagency agreements are written agreements between federal agencies under which goods or services are provided on a reimbursable basis. The EPA's Office of the Chief Financial Officer, Office of the Controller, oversees the billing of reimbursable expenditures under reimbursable interagency agreements.

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

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

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Listing of [OIG reports](#).

EPA Improved Controls Over Billing Reimbursable Interagency Agreement Expenditures to Other Agencies

What We Found

In prior Office of Inspector General (OIG) audits, we found that the EPA did not timely bill other federal agencies for reimbursable costs. Based on our current audit, we found that the EPA is billing costs under reimbursable interagency agreements timely and accurately. While the EPA maintained a backlog of unreimbursed expenses, and had a large balance in federal unbilled receivables during fiscal year 2012, the EPA implemented actions to expedite billing older reimbursable costs and reduce federal unbilled receivables. Actions included:

- Obtaining additional funds from the U.S. Coast Guard, which enabled the EPA to hire additional staff to reduce the existing backlog of unbilled oil spill removal expenses.
- Reviewing quarterly unliquidated obligation reports from the Federal Emergency Management Agency (FEMA) and notifying FEMA of pending billable costs to prevent deobligation of mission-assignment funds.
- Requiring a seven-digit organization code in the accounting string to ensure that all reimbursable expenses are tied to a reimbursable interagency agreement and, therefore, billable.
- Creating a default in Compass financials (the EPA's accounting system) to reject any reimbursable expenses not tied to a reimbursable agreement.
- Performing an in-depth analysis of the federal unbilled receivable backlog to recover expenses previously unbillable.

Improvements in the federal billing process resulted in a sizeable decrease in federal unbilled receivables. The federal unbilled receivables decreased by approximately \$18 million—from about \$26 million in fiscal year 2012 to about \$8 million in fiscal year 2015.

Since the EPA has already taken action to improve its reimbursable billing process and has reduced its unbilled receivables, no recommendations are being made. The agency agreed with our findings and had no comments to the discussion document. We will close the final report upon issuance.

Our prior and ongoing interest and concerns over recovering reimbursable expenses under reimbursable interagency agreements resulted in the EPA making a concerted effort to reduce the overall unbilled reimbursable costs, and it achieved \$18 million in reductions.