



At a Glance

Why We Did This Project

We conducted this audit to determine whether the U.S. Environmental Protection Agency (EPA) implemented a contract invoice payment process that allows for the efficient processing of accurate and supportable invoice payments and that complies with federal laws, federal regulations and agency policies.

The Prompt Payment Act requires executive branch agencies to pay interest penalties when they do not pay their invoices by the due date. As a result, invoice reviews and approvals are critical functions that impact the management of public funds. The EPA's policy is to review invoices thoroughly to determine whether adequate information, proper rationale and documentation exist to support the payment of contract invoices in a timely manner. Responsibility for invoice review and approval is first vested with the contracting officer (CO), who may delegate this authority to the contracting officer representative (COR).

This report addresses the following:

- *Operating efficiently and effectively.*

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Without E-Invoicing and Stronger Payment Process Controls, EPA Is Placing \$1.2 Billion at Risk Annually

What We Found

The EPA can maximize the efficiency of its contract invoice payment process by focusing on four areas:

- Implementing an electronic invoicing (e-invoicing) system.
- Addressing administrative and contract modification processing errors.
- Taking prompt payment discounts offered on contract invoices.
- Performing critical CO and COR oversight duties.

The EPA places an annual average of \$1.2 billion in taxpayer funds at greater risk by not using an e-invoicing process, not taking advantage of prompt payment discounts, not avoiding interest penalties and not performing critical oversight duties.

The EPA does not have a plan to implement an e-invoicing system, even though the Office of Management and Budget directed agencies to transition to e-invoicing by the end of fiscal year 2018. Also, the EPA's administrative and contract modification processing errors result in interest penalties, and the EPA does not always take discounts when offered. In addition, agency COs and CORs could not provide or locate documentation demonstrating the performance of their oversight duties.

If the EPA does not address these areas, the agency will remain vulnerable to waste, fraud and abuse; will continue to put taxpayer dollars at risk due to discounts lost and interest penalties paid; and will miss opportunities to put these funds to better use to protect human health and the environment.

Recommendations and Planned Agency Corrective Actions

We recommend that the Chief Financial Officer develop a plan with milestone dates to implement an e-invoicing system. We also recommend that the Chief Financial Officer develop and implement measurable controls that address processing delays, provide staff with guidance on taking prompt payment discounts, and notify approving officials of expiring discount periods.

In addition, we recommend that the Assistant Administrator for Administration and Resources Management, in coordination with the Office of the Chief Financial Officer, develop and implement measurable controls for each office's role in processing contract invoices and contract modifications to address administrative and processing errors. Also, we recommend that the Assistant Administrator for Administration and Resources Management verify that COs are performing oversight responsibilities per the agreed-upon corrective actions from prior Office of Inspector General reports and implement agencywide measurable controls to address nonperformance of CO oversight responsibilities.

The agency did not provide a response to our draft report within 30 days, as required by EPA Manual 2750. We will meet with the agency to obtain resolution for our recommendations.