



At a Glance

Why We Did This Project

We conducted an audit of the U.S. Environmental Protection Agency's management of Contract No. EP-C-16-001, which was awarded in December 2015 to Northbridge Group. This audit was initiated in response to a hotline complaint regarding possible irregularities in the EPA's funding practices and payment of invoices for the contract.

The purpose of this audit was to determine whether:

1. EPA funding actions are allowable or pose risks to the Agency.
2. Invoices are being approved and paid without proper review of costs.

This report addresses the following:

- *Operating efficiently and effectively.*

This report addresses a top EPA management challenge:

- *Complying with internal control (policies and procedures).*

Address inquiries to our public affairs office at (202) 566-2391 or OIG_WEBCOMMENTS@epa.gov.

List of [OIG reports](#).

EPA's Lack of Oversight Resulted in Serious Issues Related to an Office of Water Contract, Including Potential Misallocation of Funds

What We Found

The EPA's management of Contract No. EP-C-16-001 lacked sufficient controls. For example, EPA contracting staff:

- Potentially misallocated funds for the contract.
- Violated the Inspector General Act of 1978, as amended, by destroying certain requested documents. As a result, neither the Agency nor the OIG can determine how the Agency allocated over \$10 million of EPA funds for Contract No. EP-C-16-001.
- Paid invoices without input from the EPA staff more familiar with Northbridge's work. In some cases, these EPA staff did not receive the invoices to review and approve until months after the invoices were paid.
- Did not perform detailed reviews of invoices. Had contracting staff thoroughly reviewed Northbridge's invoices when they were submitted, the Agency could have questioned why Northbridge was using more costly labor than originally estimated. The Agency also could have saved up to \$565,529 on direct labor and associated overhead over three years if Northbridge had used its less costly labor, as originally estimated.
- Did not conduct required records inspections of Contract No. EP-C-16-001.

Improved contract management will help the EPA become a better fiscal steward and potentially save millions of taxpayer dollars.

These issues occurred because (1) contracting and program staff did not follow established policies and procedures for tracking funding decisions; (2) the contract-level contracting officer's representative did not provide recommended checklists to contracting staff, who consequently did not adequately monitor the invoices; and (3) contracting staff were not aware of EPA guidance regarding inspection requirements.

Recommendations and Planned Agency Corrective Actions

After we discussed our audit findings with the Agency, the EPA completed corrective actions addressing some of our findings before we issued our draft report. As a result, we have not issued recommendations regarding those findings. To address our remaining findings, we make six total recommendations to the assistant administrator for Water and the assistant administrator for Mission Support, including taking action to improve contract management and holding the EPA accountable for potential misallocation of funds on Contract No. EP-C-16-001. The Agency disagreed with two and agreed with four of our recommendations. The Agency did not, however, provide acceptable corrective actions for one of the agreed-to recommendations. Therefore, three of our six recommendations are unresolved with resolution efforts in progress.