Management and Performance Oversight by the Office of Inspector General for the EPA and CSB

Inspector General

Before the Subcommittee on Superfund, Waste Management, and Regulatory Oversight
Committee on Environment and Public Works
United States Senate

April 14, 2015
Good morning, Chairman Rounds, Ranking Member Markey and members of the subcommittee. I am Arthur Elkins, Inspector General (IG) at the U.S. Environmental Protection Agency (EPA). Thank you for inviting me to appear before you today. I am prepared to provide you with a snapshot of my office’s oversight related to the management and performance of the EPA and the U.S. Chemical Safety and Hazard Investigation Board (CSB). Before I begin, I would like to publicly commend the expertise, dedication, diligence and professionalism of Office of Inspector General (OIG) staff—not only at the EPA, but across the federal government—who work hard each day to carry out our very important mission of promoting economy, efficiency and effectiveness; and preventing and detecting fraud, waste and abuse through independent oversight of programs and operations.

Overview of the OIG of the EPA and CSB

It is important to remind everyone present that the OIG is an independent and objective office. Congress has entrusted the EPA OIG with serving as the OIG for both the EPA and the CSB. The EPA OIG operates with a budget and decision-making authority separate from both agencies, and senior leaders at the agencies may not prohibit, prevent or obstruct us from conducting our work.

In accordance with the IG Act of 1978, as amended, the EPA OIG’s mission is to: conduct independent and objective audits and investigations related to programs and operations at the EPA and CSB; prevent and detect waste, fraud and abuse; promote economy, effectiveness and efficiency; review pending legislation and regulations; and keep the agency heads and Congress fully and currently informed. We fulfill our mission primarily by issuing reports that include recommendations for corrective actions, conducting investigations and referring criminal cases to the U.S. Department of Justice (DOJ) for prosecution.

OIG FY 2014 Performance Results

Before I talk about some of our more recent audits and investigations, as well as some ongoing work and the challenges faced by my office, I will mention some of the OIG’s performance results in fiscal year (FY) 2014. The following information may be found in its entirety on our website in our last Semiannual Report to Congress:
Monetary return on investment:
- $54.5 million in questioned costs
- $321.7 million in recommended efficiencies and costs saved
- $3.8 million in fines, penalties, settlements and restitutions

Criminal, civil and administrative actions reducing risk or loss/operational integrity:
- 19 criminal convictions
- 50 indictments, informations and complaints
- 3 civil actions
- 76 administrative actions
- 54 suspension or debarment actions
- 11 allegations disproved

Savings and recommendations sustained from current and prior periods:
- $29.8 million in questioned costs sustained
- $292.4 million in funds put to better use

Total reports issued:
- 66 reports issued by the OIG
- 300 Single Audit report memos issued to the EPA for action

Environmental and business outcome actions taken or realized by the EPA:
- 306 environmental and management actions implemented or improvements made
- 17 critical congressional and public concerns addressed

OIG environmental and business output recommendations, awareness briefing or testimony:
- 766 environmental and management recommendations or referrals for action
- 57 environmental and management certifications, verifications and validations
- 31 environmental and management risks and vulnerabilities identified
- 90 external awareness briefings, training or testimony given

OIG Office of Audit

The OIG’s Office of Audit (OA) designs and implements long-term, nationwide audit plans to improve the economy, efficiency and effectiveness of agency programs and prevent fraud, waste, and mismanagement. OA also leads and participates in multi-agency projects to address government-wide management issues.

OA conducts financial, performance, forensic and external audits related to the following areas: financial statements, contracts, assistance agreements and systems of internal control. Some of the mandatory audits that we conduct are: EPA and CSB computer security program under the Federal Information Security Management Act, EPA financial statements, CSB financial statements, EPA and CSB improper payments, and EPA purchase and travel cards.

Final Report: “EPA Needs to Justify How It Is Using Title 42 Hiring Authority”

On March 5, 2015, the OIG issued a report initiated to determine whether the EPA is properly managing its “Title 42” hiring authority. The agency’s Office of Research and Development (ORD) was given special hiring authority under U.S. Code Title 42 in 2006 and is the only office within the EPA that has it. ORD uses this authority to recruit and retain scientific leaders and
talent in its different research programs. ORD is authorized up to 50 Title 42 employees. As of February 24, 2014, ORD had 23 Title 42 employees.

Our review concluded that ORD’s reasoning for using its Title 42 hiring authority to fill management positions is ambiguous. The EPA Title 42 Operations Manual states that ORD will establish and oversee the process for developing recommendations for the allocation of Title 42 positions.

Factors contributing to these findings include that ORD does not have a process to annually develop recommendations for allocating Title 42 positions and believes it has justified using the Title 42 hiring authority as an overall organizational need. In addition, ORD has not always demonstrated a need to use Title 42 to recruit or retain staff for these positions to achieve the level of expertise the office needed.

Because ORD has not articulated its approach for allocating the 50 Title 42 appointments it is authorized, or justified the need to use the hiring authority to fill positions, it is susceptible to concerns about how it is using this authority. By articulating its approach, the EPA will be showing how the remaining appointments—with a potential annual salary total between $3.5 million and $6.75 million—could be used to fulfill the agency’s mission. We recommended that ORD justify its need to use the Title 42 authority and the need for more transparency in its decisions to use that authority.

**Ongoing Audit: “Audit of EPA’s Processes for Preserving Text Messages”**

Next, I will discuss two ongoing audits of interest to this subcommittee. First, as a result of a November 2014 request by Chairman Lamar Smith of the House Committee on Science, Space, and Technology, we initiated in January 2015 an audit to examine the EPA’s processes for preserving text messages. Our objective is to determine whether the EPA adhered to applicable laws, regulations, and agency policies and procedures for records management, and preserved text messages when conducting official business. Specifically, we plan to determine whether the EPA:

- Implemented policies and procedures to determine which text messages to preserve and steps to ensure employees are knowledgeable of this guidance.
- Implemented processes to respond to congressional and Freedom of Information Act (FOIA) requests involving agency employees’ text messages.
- Used text messages (on government-issued or personal devices) for official business.
- Deleted, destroyed, lost or misplaced text messages needed for records management, and, if applicable, the rationale for destroying text communications records.
- Took disciplinary actions against employees for deleting, destroying, losing or misplacing text communication records.
- Notified the National Archives and Records Administration about the potential loss of any federal text records and how often the losses occurred.

To address these objectives, we are interviewing the EPA’s Administrator, Deputy Administrator and headquarters program office’s Assistant Administrators, as well as sampling headquarters
personnel who are frequent text communication users to determine awareness of internal guidance, specifically guidance regarding saving and deleting text messages. We are reviewing text messages usage reports and identifying frequent users of text messages. We also are obtaining and documenting headquarters and regional policies and procedures that pertain to responding to congressional and FOIA requests related to text communication to determine compliance with federal requirements.

We expect to issue our final report in fall 2015.

**Ongoing Audit: “EPA Processes for Timekeeping”**

On August 27, 2013, Senator Vitter, then Ranking Member of the full Senate Committee on Environment and Public Works, requested that the OIG initiate work in connection with fraud committed by John C. Beale, a former Senior Policy Advisor with the EPA’s Office of Air and Radiation who had falsely claimed to be away from the EPA for extended periods because he was working for the Central Intelligence Agency. The OIG commenced a series of audits to determine whether conditions existed in EPA processes that contributed to Mr. Beale’s and possibly other, similar fraud. This series included audits of passports, travel, retention incentive pay, hiring processes, statutory pay and timekeeping.

For our ongoing timekeeping audit, the objective is to identify potential time and attendance fraud at the EPA in connection with employees who received salary payments while on extended absence from their duties.

To assess this risk, we have reviewed the agency’s time and attendance policies and discussed with agency officials existing controls for time card review and approval. For two separate months representing four pay periods, we assessed whether all employees paid by the EPA were actually present for duty based on their use of the EPA computer network. The final report is expected to be issued in June 2015.

In the course of our audit work following the Beale investigation, we identified a concern about the use of administrative leave for eight employees totaling 20,926 hours and $1,096,868. We reported this condition on November 19, 2014, in a report titled *Early Warning Report: Some EPA Employees Found to Be on Paid Administrative Leave for Years* (Report No. 15-N-0025). That audit regarding administrative leave continues, and we expect to issue a report in late summer 2015. In addition, our work to date resulted in a hotline complaint concerning potential misuse of religious compensatory time. We have initiated an audit on controls and use of such time within the EPA and expect to issue this final report as well in late summer 2015.

**OIG Office of Program Evaluation**

The OIG’s Office of Program Evaluation (OPE) examines root causes, effects and opportunities that influence program change and contribute to the accomplishment of the EPA’s mission. Program evaluations may produce conclusions about the value, merits and/or worth of programs or activities. The results of program evaluations can be used to improve the operations of EPA programs and activities, sustain best practices and effective operations, and facilitate accomplishment of EPA goals.
OPE designs long-term, multi-office, multi-agency program evaluation plans; coordinates the execution of these evaluations; synthesizes findings from these reviews; and provides for the timeliness, tone, quality and objective review of the resulting reports.

**Final Report: “To Ensure Greater Use of Scientific Equipment, the Office of Research and Development Should Use an Enterprise Approach to Property Management”**

On March 16, 2015, the OIG issued a report with an objective to determine whether ORD had adequate controls over research equipment—including safeguarding, maintenance, calibration and utilization. As the scientific research arm of the EPA, ORD uses sensitive and often expensive equipment. That office’s reported capital equipment totals nearly $73 million.

Our review of a sample of research equipment within three ORD laboratories found that approximately 30 percent (or 30 of 99 pieces) had not been used for 2 to 14 years, and 6 percent (or six of 99 pieces) were obsolete. Equipment used for air and water research sat idle either because there was no ongoing research necessitating its use or because it was being kept as backup equipment. Laboratories did not comply with federal property regulations, which require equipment inspection walkthroughs every 2 years and the creation of equipment pools to maximize the use of idle equipment and identify obsolete pieces.

The factors contributing to these findings include that ORD managers and staff are not aware of federal property management requirements and ORD has not created a comprehensive, officewide scientific equipment list that would make ORD’s resources visible throughout the agency for key research decision-making.

Program risks exist as a result, including valuable scientific equipment sitting idle when there might be a demand for it elsewhere in ORD or the agency. Additionally, ORD could waste funds by purchasing duplicative research equipment. To address and minimize risks, we made several recommendations, including that ORD develop an equipment list, create an equipment pool, establish regular equipment utilization walkthroughs, and conduct independent reviews of equipment procedures. ORD agreed with all recommendations, and the completion of corrective actions is pending.

**Ongoing Evaluation: “Review of the EPA’s Assessment of Potential Mining Impacts in Bristol Bay, Alaska”**

Next, I will discuss two ongoing program evaluations of interest to this subcommittee. In May 2014 in response to congressional requests and hotline complaints, we initiated a review regarding the actions of the EPA and its decision to conduct an ecological risk assessment of the impacts of large-scale mining on the Bristol Bay watershed in Alaska. We seek to determine whether the EPA followed laws, regulations, policies and procedures in developing its assessment. Specifically, we seek to address:

- The reason the EPA conducted the assessment and whether there was any evidence that the agency conducted it in a biased manner or whether it had a pre-determined outcome.
- Whether the EPA followed ecological risk assessment policies and procedures when conducting the assessment.
• Whether the EPA followed peer review policies and procedures.
• Whether the EPA followed the Information Quality Act and related policies and procedures.

To address those objectives, we have reviewed extensive documents, thousands of email records and other correspondence, and interviewed numerous current and former federal employees and state employees, tribal representatives, the Pebble Limited Partnership’s chief executive officer, and peer reviewers. Interviewees have included EPA employee Phil North, who is at the center of several allegations and concerns about the EPA’s decision to undertake the ecological risk assessment. The OIG’s Office of Investigations also has provided vital support in obtaining computer hard drives and emails that support OPE’s work.

We expect to issue our final report in late summer 2015.


For the following reasons, we initiated in February 2014 a review examining how the EPA and states use their authorities to manage the potential impacts of hydraulic fracturing on water resources:

• In 2009, in response to public concerns and anticipated growth in the oil and gas industries, Congress requested that the EPA examine the relationship between hydraulic fracturing and drinking water sources.
• While the EPA’s ORD has reported some progress toward completing that congressionally requested study, there have been delays and the EPA’s study—6 years later—is not yet complete. The OIG had concerns that the EPA may not be effectively discharging its oversight role.
• The EPA has taken enforcement actions, and thus invested EPA resources, to respond to reports of hydraulic fracturing fluids leaking into groundwater in Pennsylvania, Texas and Wyoming. These events led the OIG to have reasonable questions about the EPA’s necessary or potential role in managing or addressing possible impacts to water sources from hydraulic fracturing.
• It has been recognized by many parties that the practices of hydraulic fracturing and horizontal drilling have experienced large growth in recent years. The United States has vast reserves of natural gas that are commercially viable as a result of advances in horizontal drilling and hydraulic fracturing technologies.

Within the scope we laid out, our report will address the national and state regulatory framework in place. It also will identify any areas that may need additional action or study.

The current review has included interviews of EPA officials as well as state officials and staff in Pennsylvania, Arkansas and Colorado. We chose these states because of their significant oil and gas development activity, reports of alleged contamination of drinking water, and ongoing regulatory activity to manage oil and gas development. We have interviewed other stakeholders with industry and environmental groups, and other nongovernmental organizations about
unconventional oil and gas development and any activities or initiatives being implemented to manage potential impacts to water resources during hydraulic fracturing.

We expect to issue our report in late summer 2015.

**OIG Office of Investigations**

The OIG’s Office of Investigations manages, sets policy, coordinates and has overall responsibility for criminal investigations of allegations concerning:

- Financial fraud involving EPA programs or funds (that is contract and grant fraud).
- Employee misconduct.
- Intrusion into EPA systems and computers.
- Threats against EPA employees, contractors, facilities and assets.
- Assaults on EPA employees or contractors and other acts of violence in EPA facilities.
- Impersonating EPA officials.
- Counterfeiting or misuse of EPA official insignia, logos or credentials.
- Theft of property or funds within EPA facilities.

In addition, the Office of Investigation is responsible for the OIG Hotline, which receives complaints of fraud, waste and abuse in EPA programs and operations.

**OIG Investigation into EPA Contract Fraud**

I would like to highlight a recent OIG investigation—conducted in concert with the U.S. Attorney’s office and other federal agencies—that resulted in the conviction of two individuals on March 15, 2015, of conspiracy to commit wire fraud, aggravated identity theft and falsification of records involving a federal investigation. The defendants had fraudulently obtained approximately $10.5 million worth of small business research awards from the federal government, including several contracts with the EPA. They had submitted proposals using stolen identities of real people to create false endorsements for their proposed contracts. In the proposals, they also lied about their facilities, costs, the principal investigator on some of the contracts and certifications in the proposals. Each of the defendants faces a maximum penalty of 20 years in federal prison. The sentencing has been set for May 28, 2015.

**Challenges Regarding EPA’s Office of Homeland Security**

I will update the subcommittee about two impediment issues involving the OIG’s Office of Investigations at the EPA and the CSB that have forced Congress to become actively involved during the past year. First, I will address impediments arising from the role the EPA has given to a unit within its Office of Administrator called the Office of Homeland Security (OHS). During a September 2014 hearing before the House Committee on Oversight and Government Reform (HOGR), I testified that the EPA had asserted there was a category of activity defined as “intelligence” to which the OIG may have access only subject to the EPA’s granting of permission. This situation impeded the OIG’s ability to investigate threats against EPA employees and facilities, conduct certain misconduct investigations and investigate computer intrusions. In addition, I explained that OHS was conducting investigative activities of its own,
without any legal authority to do so, thereby interfering with—and in some cases fouling—OIG investigations.

Since that hearing, senior OIG officials have met multiple times with senior agency officials to address a range of issues falling under these general categories. We have reached at least a theoretical agreement on a substantial portion of the issues, although we are at an impasse with regard to a number of crucial points. What we have agreed upon is that there is no category of activity at the EPA to which the OIG does not have unfettered access, as provided by the IG Act. The “intelligence” activities can and are to be shared with the OIG if the OIG seeks access or an issue is within OIG purview. However, a major impediment that remains is a memorandum of understanding (MOU) that the EPA entered into unilaterally with the Federal Bureau of Investigation (FBI). The OIG was not party to, nor was it consulted in the creation of, that MOU. Previously, the EPA asserted that the MOU precluded it from sharing information with the OIG.

FBI senior management since has confirmed that the FBI does not require the EPA to withhold information from the OIG, and the EPA has confirmed to the OIG that it will share the information we had been seeking, both with regard to previous matters and going forward on an ongoing basis. The EPA has not rescinded the existing MOU or accepted our proposed elements for a revised MOU.

During our meetings with EPA, we have insisted that if there is to be any MOU going forward, it must by a three-party agreement among the EPA, the OIG and the FBI, and based on the following precepts:

- The OIG’s Office of Investigations maintains a cadre of criminal investigators who have been granted the appropriate clearance level to review national security, counterintelligence and counterterrorism material.
- It is EPA policy that all allegations of misconduct involving EPA employees or contractors must be reported to the OIG.
- As OHS does not have investigative or law enforcement authority, OIG criminal investigators will represent the EPA and work with the FBI whenever the FBI needs to conduct a national security, counterintelligence or counterterrorism investigation targeting an EPA employee or contractor.
- Any requests made by the FBI to the EPA to conduct interviews or to collect evidence, records, information or data, in furtherance of an investigation, will be referred to the OIG for action.
- The OIG will take no investigative or law enforcement action on any case identified by the FBI as being related to national security, counterintelligence or counterterrorism, without first seeking the concurrence of the FBI.
- OHS and the OIG will coordinate with each other, and with the FBI, to ensure that each office can properly fulfill its responsibilities with regard to the EPA.

It is important to mention that, additionally, the OIG has been unable to resolve with the EPA the issue of OHS having a criminal investigator assigned as OHS lacks any investigative authority.

These are important impediment issues that we have not yet resolved with EPA.
OIG Oversight of the CSB

I will also address issues related to the CSB that evolved over the past several years. In September 2012, the OIG began investigating whether the identities of certain CSB whistleblowers had been unlawfully revealed to CSB leaders. In the course of this investigation, we requested documents from CSB Chairman Rafael Moure-Eraso on related complaints that CSB officials were using nongovernmental email accounts to conduct official business. In August 2013, CSB officials first refused to provide those documents to the OIG, asserting that their denial was based on attorney/client privilege. However, we explained that such denial violated the IG Act, specifically Section 6(a)(1), which provides for the IG’s unfettered access to all materials and information available to the agency. After more than a year of refusals by the CSB, I sent a “Seven Day Letter”—a tool provided for in the IG Act—to Chairman Moure-Eraso. A Seven Day Letter requires an agency head to transmit the IG’s letter and the agency’s response to appropriate committees or subcommittees of Congress within seven calendar days. Although the CSB did forward my letter to the committees, including this one, CSB officials continued to refuse to produce the documents.

At a June 2014 hearing before the HOGR, that committee’s Chairman and Ranking Member both instructed the CSB to provide the documents that the OIG sought. The CSB subsequently substantially complied with those instructions, but officials specified have yet to provide an affirmation of their full compliance with our requests. To elaborate, in August 2014, the OIG asked Chairman Moure-Eraso and other senior CSB officials to affirm their methodology for searching and identifying documents within the scope of OIG’s requests, and that they had fully complied with the requests. While the OIG cannot attest to the receipt of all requested documents from the CSB, as explained above, we were able to proceed with and complete our investigation.

I sent the OIG’s report of investigative results to President Obama, as there was no one higher than Chairman Moure-Eraso at the CSB, and he was appointed by the President. That report found that there was evidence sufficient to support a conclusion that the Chairman and two of his senior officials had violated the Federal Records Act and implementing regulations by using nongovernmental email systems to conduct official government business and not capturing those emails in the CSB records system.

On March 26, 2015, Chairman Moure-Eraso announced he would accede to a request from President Obama to resign as CSB Chairman. However, at the same time, Chairman Moure-Eraso announced that he would remain as a board member until last Friday, April 10. As of that date, the OIG is not aware of whether Chairman Moure-Eraso had officially left the CSB.

On March 27, 2015, the Assistant Inspector General of Investigations informed HOGR Chairman Chaffetz and Ranking Member Cummings that the CSB’s former Chief Information Officer (CIO) has provided a sworn statement that alleges inconsistencies in Chairman Moure-Eraso’s communications to me, as well as with his testimony before HOGR during a hearing on March 4, 2015. For example, the CIO disputes Chairman Moure-Eraso’s assertions that the CIO had conducted or overseen searches of the private email accounts of General Counsel Richard Loeb or Managing Director Daniel Horowitz. I provided the information to the HOGR for that
committee’s review and any action deemed appropriate. In addition, under the provisions of the IG Act of 1978, as amended, I am required to notify DOJ whenever I have reason to believe that a crime has been committed. Therefore, my Office of Investigations has notified the U.S. Attorney’s Office in the District of Columbia of the possibility that Chairman Moure-Eraso may have committed perjury and certain other crimes in relation to his testimony on March 4.

While I have focused primarily on the OIG’s recent investigation of the CSB, I note that we also have several ongoing audits related to that agency on purchase card risk assessment and compliance with the Improper Payment Acts, contracts and governance; and we are preparing our annual memorandum on management challenges and internal control weaknesses for CSB.

**EPA Management Challenges**

The OIG’s assessment of the EPA’s “Fiscal Year 2014 Management Challenges” is available on our website. As required by the Reports Consolidation Act of 2000, we issued in May 2014 a list of what the OIG considers EPA programs and management functions with the greatest vulnerability to waste, fraud, abuse and mismanagement, where a failure to perform could seriously affect the ability of the agency or the federal government to achieve its mission or goals. The challenges identified are as follows:

- The EPA Needs to Improve Oversight of States Authorized to Accomplish Environmental Goals.
- Limited Controls Hamper the Safe Reuse of Contaminated Sites.
- Regulatory and Resource Limitations Constrain the EPA’s Assessment and Management of Chemical Risks.
- The EPA Needs to Improve Workload Analysis to Accomplish Its Mission Efficiently and Effectively.
- The EPA Needs to Enhance Information Technology Security to Combat Cyber Threats.
- The EPA Needs Improved Management Oversight to Combat Fraud and Abuse in Time, Attendance, Computer Usage, and Real Property Management.

**Conclusion**

These are a few examples of the OIG’s oversight of management and program performance at the EPA and CSB. We will continue to work with management at both agencies to help ensure that funds are properly managed and executed, and that accurate information is reported.

An OIG’s recommendations are only as good as an agency’s implementation of them. Money identified but left on the table, so to speak, due to an agency’s failure to act, does a tremendous disservice to the taxpayers. This OIG most recently reported out 50 past-due, as yet unimplemented recommendations, made between 2009 and 2013 to the EPA, and representing $115.9 million. We reported out 11 such past-due recommendations to the CSB. In addition, there are 5 recommendations to the CSB that remain unresolved.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions that you or subcommittee members may have.

Arthur A. Elkins, Jr. became Inspector General of the U.S. Environmental Protection Agency (EPA) on June 25, 2010. Before his appointment, Mr. Elkins served as Associate General Counsel within EPA’s Office of General Counsel. While in that position, he supervised the delivery of legal counsel, opinions, litigation support, and other legal services for the Office of General Counsel’s Information Law Practice, Employment Law Practice, and Intellectual Property Law Practice.

Previously, Mr. Elkins served as the Chief Legal Officer and General Counsel for the Court Services and Offender Supervision Agency, an independent federal executive branch agency responsible for pretrial services and adult parole and probation community offender supervision; Counsel to the Inspector General of the National Science Foundation; and Counsel within the Department of Defense, Defense Office of Hearings and Appeals.

Prior to joining the Federal Government, Mr. Elkins served as an Assistant Prosecuting Attorney in the Ohio Cuyahoga County Prosecutor's Office and as an Assistant Public Defender in the Ohio Cuyahoga County Public Defender's Office.

Mr. Elkins earned a Bachelor degree in social sciences from Thomas A. Edison State College; a Master of Business Administration degree from Baldwin-Wallace College; a Juris Doctor degree from Cleveland-Marshall College of Law, Cleveland State University; and a Master of Laws in Law and Government from Washington College of Law, The American University.

Mr. Elkins is a member of the bar in Ohio, District of Columbia, United States District Court for Northern Ohio, the United States Court of Appeals for the Sixth Circuit, and the Supreme Court of the United States of America.

Mr. Elkins is the recipient of the Council of Counsels to the Inspector Generals Leadership Award, Federal Executive Council on Integrity and Efficiency Award for Excellence in Investigations, and the National Science Foundation Office of Inspector General Commendable Service Award.

Mr. Elkins is the proud father of three children and resides in Bowie, Maryland, with his wife, Gail.