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May 2004

OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress

October 1, 2003 - March 31, 2004

The EPA Office of Inspector General recently conducted a review of hardrock mining Superfund sites. See inside for details.

EPA Inspector General
Vision Statement

We are catalysts for improving the quality of the Environment and Government through problem prevention and identification, and cooperative solutions.

Mission

The Inspector General Act of 1978, as amended, requires the Inspector General to: (1) conduct and supervise audits and investigations relating to programs and operations of the Agency; (2) provide leadership and coordination, and make recommendations designed to (a) promote economy, efficiency, and effectiveness, and (b) prevent and detect fraud and abuse in Agency programs and operations; and (3) fully and currently inform the Administrator and the Congress about problems and deficiencies identified by the Office of Inspector General relating to the administration of Agency programs and operations.

To find out more about the U.S. Environmental Protection Agency's Office of Inspector General, visit our web site at:

http://www.epa.gov/oig

Cover photo: The Homestake Mine hardrock mining site, Lead, South Dakota (EPA OIG Photo).

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Foreword

Our work during the semiannual reporting period noted several areas of potential funding problems with regard to Superfund projects.

In response to a Congressional request, we estimated that there was a $174.9 million shortfall for fiscal 2003 non-Federal Superfund projects. This prevented the Environmental Protection Agency (EPA) from beginning construction at all sites or providing the amount of funds believed to be needed in some instances. In addition, during our audit of EPA's financial statements for fiscal 2003, we noted that the Superfund Trust Fund transferred funds in excess of the Fund assets available for transfer by $82.7 million for that year, and that shortfall was subsequently covered by fiscal 2004 appropriations from the Treasury's general fund.

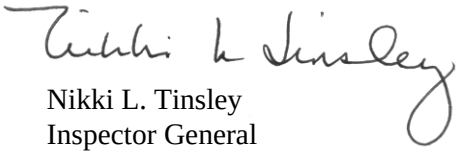
During the period, we issued a report on hardrock mining (extraction of certain metals and minerals from the earth, excluding coal). We found 156 hardrock mining sites nationwide with the potential to cost between $7 billion and $24 billion to clean up (at a maximum EPA cost of $15 billion), and many of these sites will involve Superfund work. The EPA costs noted are over 12 times EPA's total annual Superfund budget of about $1.2 billion for the last 5 years.

We also issued reports regarding EPA's homeland security efforts. We found that EPA does not have adequate processes for identifying, obtaining, maintaining, and tracking counter terrorism/emergency response equipment, and needs to do better planning. We also found that EPA's Office of Homeland Security needs to better define its homeland security role regarding air protection; while we acknowledge this is a relatively new area for EPA, we want to stress the importance of clarifying EPA's future roles and responsibilities.

A review disclosed that EPA has not fully implemented Executive Order 12898 to provide environmental justice for minority and low income populations. Although progress has been made at the EPA regional level, definitions and a clear vision need to be provided at the national level to ensure EPA provides environmental justice in a consistent and sufficient manner.

EPA earned an unqualified opinion on its fiscal 2003 financial statements, and we did not note any material weaknesses in internal controls and compliance. When evaluating internal controls, we noted eight reportable conditions that should be corrected, but we do not believe they represent material weaknesses that would prevent the fair presentation of reliable statements.

Details on these issues and others are in this semiannual report.



Nikki L. Tinsley
Inspector General

Table of Contents

Highlights

Environmental Justice Not Consistently Implemented

EPA has not fully implemented Executive Order 12898 to provide environmental justice for minority and low income populations (page 13).

Buying Counter Terrorism Equipment Can Be Improved

EPA does not have adequate processes for obtaining and tracking equipment to respond to terrorist attacks and other emergency situations (page 19).

EPA Financial Statements Earn Unqualified Opinion

EPA earned an unqualified opinion on its fiscal 2003 financial statements, and no material weaknesses were noted (page 21).

Sentencing Handed Down in Child Pornography Case

A former contract employee was sentenced for possession of child pornography, after using an EPA computer to download the material (page 26).

Superfund Shortfall of $174.9 Million Reported

In response to a Congressional request, we issued a report on Superfund financing that estimated a $174.9 million shortfall for non-Federal sites (page 34).

Lobbying Organization Inappropriately Given Grant

We questioned $4.7 million in grant funds given to Consumer Federation of America, a lobbying group (page 16).

Financial Impacts of Hardrock Mining Sites Noted

Hardrock mining sites identified nationwide may have major financial impacts on Superfund resources and States (page 8).

Drinking Water Goals Incorrectly Reported

In each of the last 4 years, EPA incorrectly reported meeting its drinking water goal since it relied on flawed and incomplete data (page 6).

Air Toxics Measurement Can Be Improved

Although air toxics estimating methods have been improving, unvalidated assumptions and other limitations continue to impact usefulness (page 3).

Testimony Addresses Assistance Agreements

During testimony before several Congressional subcommittees, we discussed the need to improve management of assistance agreements (page 36).

Bunker Hill Review Notes Actions Appropriate

A review of complaints regarding the Bunker Hill Superfund site and the surrounding area found that EPA generally followed laws and regulations (page 31).

EPA Should Improve Computer Network Firewalls

While EPA has taken positive actions to improve computer system firewalls, additional areas need to be addressed (page 23).

Impersonator Sentenced to Prison Term

A man was sentenced to prison for impersonating an employee of EPA and other organizations to defraud employment agencies (page 27).

Inspector General Receives Leadership Award

The EPA Inspector General was presented with the Distinguished Federal Leadership Award from the Association of Government Accountants (page 40).

Inspector General Issues Revised Strategic Plan

The Office of Inspector General has revised and issued a new Strategic Plan (page 42).

Profile of Activities and Results

Audit Operations
Reviews Performed by EPA OIG

	October 1, 2003 to March 31, 2004 (dollars in millions)
Questioned Costs *	
- Total	$4.7
- Federal	$4.7
Recommended Efficiencies *	
- Federal	$0
Costs Disallowed to be Recovered	
- Federal	$0.5
Costs Disallowed as Cost Efficiency	
- Federal	$0
Reports Issued - OIG-Managed Reviews	
- EPA Reviews Performed by OIG	18
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions)***	51

Audit Operations
Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)

	October 1, 2003 to March 31, 2004 (dollars in millions)
Questioned Costs *	
- Total	$3.4
- Federal	$3.4
Recommended Efficiencies *	
- Federal	$0
Costs Disallowed to be Recovered	
- Federal	$0.5
Costs Disallowed as Cost Efficiency	
- Federal	$0
Reports Issued - Other Reviews	
- EPA Reviews Performed by Another Federal Agency	87
- Single Audit Act Reviews	72
Total	159
Agency Recoveries Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) **	$0.007

Investigative Operations

	October 1, 2003 to March 31, 2004 (dollars in millions)
Fines and Recoveries (including civil) ****	$1.0
Cases Opened During Period	58
Cases Closed During Period	75
Indictments/Criminal Informations/Complaints	8
Convictions	26
Civil Actions	3
Administrative Actions Against EPA Employees/Firms	21

* Questioned Costs and Recommended Efficiencies subject to change pending further review in audit resolution process.
** Information on recoveries from audit resolution is provided from EPA Financial Management Division and is unaudited.
*** Reports Resolved are subject to change pending further review.
**** Total includes actions resulting from joint investigations.

Significant OIG Activity

Air

Helping to make air safe and healthy to breathe.

Air Toxics Measurement Can Be Improved

Although the methods used to estimate air toxics emissions have improved substantially in recent years, unvalidated assumptions and other limitations underlying the National Toxics Inventory continue to impact its use as a Government Performance and Results Act measure.

Toxic air pollutants are harmful substances that are known or suspected to cause cancer and other serious health problems, and can also have adverse environmental effects. A vital component related to reducing such pollutants is the National Toxics Inventory, an estimate made once every 3 years of the total amount of air toxics emitted annually nationwide.

EPA is not certain how much progress it has actually made in reducing air toxics emissions since it established its 1993 baseline. Due to improvements in later inventories, the meaningfulness of comparing new inventories against the 1993 baseline is questionable. For example, although use of State-validated emissions data is EPA's preferred calculation methodology, only 3 States provided data to EPA for the 1993 inventory, while 36 States provided data for the 1996 inventory and 39 for the 1999 inventory. Further, States were not required to verify their emissions data for any of the inventories. Agency officials said the Clean Air Act only required limited scope studies on a select number of toxic air pollutants found primarily in urban areas. As a result, only 33 of the 188 total number of air toxics have received more in-depth study.

Pollution from an industrial smokestack (photo courtesy New York State Department of Environmental Conservation).

EPA could also improve its current air toxics performance measure by including toxicity information along with tonnage measures. Currently, EPA aggregates the tonnage reductions of emissions for all 188 toxic air pollutants, but does not provide specific measurement information on those pollutants that are most dangerous to human health and, thus, would be of most interest to EPA, Congress, and the public.

We recommended that EPA improve the accuracy, reliability, and usefulness of its current air toxics performance measure by (1) promulgating air toxics reporting requirements, (2) requiring State and local agencies to periodically report validated emissions data, and (3) providing increased funding and support for developing more accurate emissions factors and activity data for the National Toxics Inventory. We also recommended that EPA supplement the existing tonnage measure with specific measures regarding health risks. EPA generally agreed with our recommendations, although the Agency did not agree to use the more reliable 1996 National Toxics Inventory as the baseline rather than the 1993 inventory. However, we maintain that the 1996 inventory would be a more reliable baseline measure of EPA's progress in reducing air toxics emissions.

(Report No. 2004-P-00012, EPA's Method for Calculating Air Toxics Emissions for Reporting Results Needs Improvement, March 31, 2004)

Fort Worth Asbestos Demolition Method Needs Significant Modifications

The current design and methodology of the "Fort Worth Method" for removing regulated asbestos-containing materials during demolition is not adequate to demonstrate protection of human health and the environment, and does not meet applicable EPA criteria. Asbestos is a known human carcinogen.


A Fort Worth Method Phase I demolition project (EPA photo).

The City of Fort Worth, Texas, has proposed an alternative method – under EPA's Project XL – for demolishing selected structures with regulated asbestos-containing materials. EPA's Project XL is a national initiative that encourages testing of alternative ways to achieve environmental results, as long as those results are superior to those achieved under current regulations.

In general, the "Fort Worth Method" calls for thoroughly wetting a structure with a fire hose while it is demolished using a bulldozer or back hoe, but does not call for removing all the regulated asbestos-containing material prior to demolition. Phase I testing involved demolishing a single family dwelling in 2001. The planned Phase II calls for demolishing an abandoned hotel, and Phase III would involve multiple demolitions. Since other cities have shown interest in the Forth Worth Method, it has national policy implications that could be precedent-setting.

We concluded that the current design and methodology of the Fort Worth Method is not adequate. Significant modifications will be necessary to ensure that the data generated and used to evaluate this project will be valid. For example, the description of the Fort Worth Method does not identify the key factors or variables that could be encountered during demolition, or how the materials would be handled or treated to minimize potential exposures. We also had concern about the appropriateness and effectiveness of Fort Worth's proposed ambient air monitoring during demolition activities.

We also found that the Fort Worth Method does not yet meet EPA's Project XL criteria of superior environmental performance, appropriate regulatory flexibility, adequate stakeholder involvement, or transferability. Thirteen of the 15 external stakeholder groups we interviewed indicated they did not think the method was equivalent or superior to the Asbestos National Emission Standard for Hazardous Air Pollutants. EPA has yet to make such a determination, and we found that EPA's oversight to date has not ensured that the Phase II proposal will allow the Agency to reach valid conclusions on the effectiveness of this method.

We made recommendations for EPA to assist Fort Worth in modifying the method, work with the City to develop a Final Project Agreement and ensure that Project XL team concerns are adequately addressed, and develop guidance for conducting oversight. Although EPA did not concur with all our conclusions, it agreed to implement the majority of our recommendations, and has already taken some actions that we considered beneficial.

(Report No. 2004-P-00002, Significant Modifications Needed to Ensure Success of Fort Worth Asbestos Demolition Method, December 19, 2003)

Water

Ensuring that drinking water is safe and sources are protected.

EPA Incorrectly Reported Meeting Drinking Water Goal

In each of the past 4 years, EPA incorrectly reported meeting its drinking water goal under the Government Performance and Results Act, because it had concurrently reported that the data used to draw those conclusions were flawed and incomplete.

For fiscal years 1999 through 2002, EPA reported for each year that it had just met its annual performance goal of having 91 percent of the population served by community drinking water systems receive drinking water meeting all health-based standards. However, the Agency did not in fact meet its goals. This was because both EPA and Office of Inspector General (OIG) reviews indicated that performance was less than what was reported, due to missing data in EPA's Safe Drinking Water Information System on violations of drinking water standards.

For example, while EPA's 2002 Annual Performance Report stated EPA met the 91-percent goal, it also indicated that under reporting to EPA of monitoring and reporting violations was a significant data quality problem that limited the accuracy of its data (see box). EPA's 2003 Draft Report on the Environment noted, "the Agency estimated that states were not reporting 40 percent of all health-based violations to EPA."

> *The most significant data quality problem is under reporting to EPA of both monitoring and reporting violations and incomplete inventory characteristics . . . . Such under reporting of violations limits EPA's ability to precisely quantify the population served that are meeting health based standards.*
>
> *- 2002 Annual Performance Report*

Therefore, we believe EPA has not accurately reported its performance to the approximately 268 million people who drink water from community water systems. While we must note that this inaccuracy in reporting does not necessarily indicate a direct or immediate threat to human health, it is important to provide Congress and the public with accurate information.

We have made suggestions to EPA that it change how it reports under the Government Performance and Results Act to compensate for known concerns over the reliability of this measure, but the Agency has not indicated how it will change its reporting.

(Report No. 2004-P-00008, EPA Claims to Meet Drinking Water Goals Despite Persistent Data Quality Shortcomings, March 5, 2004)

Improvements Needed in Reporting Industrial Releases to Wastewater Treatment Facilities

EPA needs to improve its data quality reviews to better identify potential misreporting to its Toxics Release Inventory System, so that industrial users can more accurately report the amount of pollutants they release to wastewater treatment facilities.

The Toxics Release Inventory System is a database that contains the information submitted by facilities related to the release to wastewater treatment facilities of more than 600 chemicals. However, while conducting a review of the EPA's pretreatment program, we identified errors in industrial user reporting.

In seven cases, industrial users incorrectly reported transfers of copper, lead, chromium, and silver to private recovery or recycling companies as transfers to publicly owned treatment works, resulting in EPA reports on transfers to wastewater treatment facilities being overstated by 1,165,258 pounds. While the number of errors noted was relatively small, those errors made a significant impact on determining trends in transfers to publicly owned treatment works.

Additionally, EPA's Toxics Release Inventory Explorer database did not specifically identify metals transferred to wastewater treatment facilities. Such a category would enable the public to better know what is being transferred to a local wastewater facility, and would assist EPA program staff conducting various evaluations.

According to EPA, Federal, State, and local governments have used the Toxics Release Inventory System to set priorities, measure progress, and target areas of special and immediate concern. Also, the public has used the Toxics Release Inventory data to understand their local environment and to participate in debates of concern. Therefore, it is important to have accurate and clearly described data for use by both the public and government agencies.

We recommended that EPA provide a schedule for obtaining corrected forms and make Toxics Release Inventory System improvements. EPA generally agreed with our recommendations, and has already taken action to identify metals transferred in its Explorer database.

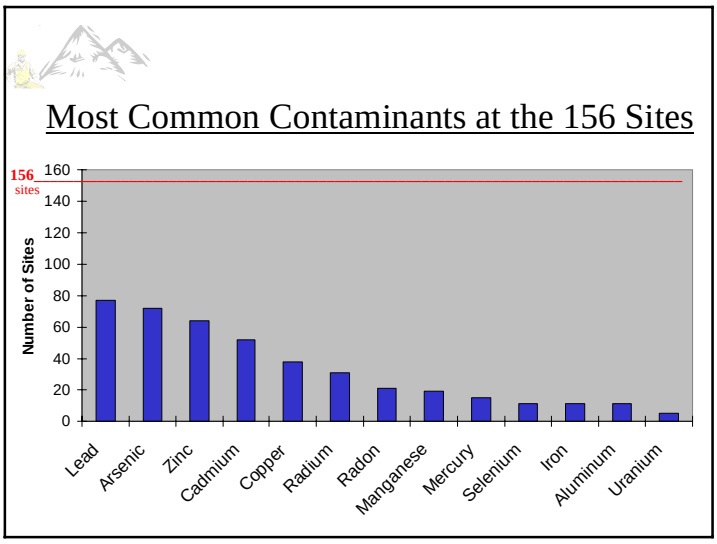
(Report No. 2004-P-00004, EPA Should Take Steps to Improve Industrial Reporting to the Toxics Release Inventory System, February 2, 2004)

Land

Improving waste management and cleanup – includes Superfund.

Hardrock Mining Sites Pose Significant Challenges for Superfund Program

Hardrock mining sites identified nationwide may have significant financial impacts on the Superfund Trust fund and on States. Most of the sites will require decades to clean up, and the ability of the Superfund program, States, or responsible parties to pay for generations of sustained cleanup activities needed for many mining sites is questionable.



Hardrock mining, which is not coal mining, involves the extraction of certain metals and minerals from the earth, including copper, gold, iron ore, lead, and silver. Hardrock mining can cause significant adverse impacts on the environment. EPA has reported that the metal mining industry was the largest toxic polluter in 2000, releasing 3.4 billion pounds of toxics, or 47 percent of the total released by U.S. industry.

Our review identified 156 hardrock mining sites nationwide that have the potential to cost between $7 billion and $24 billion to clean up (at a maximum total EPA cost of $15 billion). These costs are over 12 times EPA's total annual Superfund budget of about $1.2 billion for the last 5 years. This suggests potential difficulties for the Superfund program. Following are some observations:

- There is some uncertainty regarding the human health and environmental risks associated with National Priorities List sites and sites in the Superfund database. For example, some National Priorities List sites had an unknown current human health risk, while Non-National Priorities List sites had current medium or high human health risks. Similarly, half of the National Priorities List mining sites have current high or medium environmental risks, while nearly two thirds of the Non-National Priorities List mining sites in the Superfund data base have current high or medium environmental risks. Agency officials indicated that future risks may sometimes be greater than current risks based on land use decisions.

- Although at least one potentially responsible party has been identified at 83 percent of the hardrock mining sites, there are uncertainties regarding how many will have the ability to pay for lengthy cleanup actions.

- For long-term remedial actions financed by Superfund, EPA performs these actions for the first 10 years with the State paying 10 percent of costs, after which responsibility is turned over to the State. This can have significant impacts on States.

- Hardrock mining sites are not proportionately distributed throughout the country – more than 70 percent of the sites are located in four EPA Regions (4, 8, 9, and 10). These Regions may have greater needs for resources.

Additional Superfund Reviews

< In response to a Congressional request, we issued a report on the fiscal 2003 funding for non-Federal Superfund sites (see page 34).
< We reviewed grants related to Superfund cleanups in Idaho and New Mexico (see pages 17 and 18, respectively).
< A review of complaints regarding the Bunker Hill Superfund site found EPA actions to generally be appropriate (see page 31).
< A subcontractor entered into a settlement related to cleanup at a Superfund site in Lock Haven, Pennsylvania (see page 24).

We recommended that EPA report on the long-term sustainability and liability of businesses involved in hardrock mining operations, the type of remediation technologies currently available, and promising new technologies. We also recommended continued support for improving EPA's National Hardrock Mining Framework, and the prioritizing of efforts based on human health and environmental risks. The Agency agreed with our recommendations and proposed several actions.

(Report No. 2004-P-00005, National Identification of Hardrock Mining Sites, March 31, 2004)

EPA Response to Petition Against Idaho Program Supported

Our review of EPA Region 10's response to a petition seeking withdrawal of authorization for Idaho's Hazardous Waste Program found that the Region supported its positions on most of the allegations. However, we found several areas of concern.

EPA in 1990 had authorized the Idaho Department of Environmental Quality to manage the State's Hazardous Waste Program, as authorized by the Resource Conservation and Recovery Act. A petition filed with EPA by two environmental groups and a citizen alleged that the State had failed to administer environmental laws at the U.S. Department of Energy's Idaho National Environmental and Engineering Laboratory in southeastern Idaho. The site's current mission is to perform research, hazardous and radioactive waste management, environmental cleanup, and environmental technology development; nuclear reactors were originally prototyped on the site.

We found that Region 10 generally supported its positions on most of the allegations with appropriate criteria and documentation and, consequently, did not withdraw authorization from Idaho. However, we found several areas of concern, resulting in there

being less assurance that hazardous waste was managed in a safe manner and in accordance with law. Specifically:

- A date for submitting information to correct deficiencies in an application for the New Waste Calcining Facility Calciner (used to convert liquid radioactive waste into a dry substance) was not established until 1997 even though permit deficiencies were identified in 1991. No further action is required, since the unit is currently undergoing closure, but our finding supports petitioners' concerns on Idaho's failure to exercise control in requiring permits.

- A date for submitting information to address unresolved permit application deficiencies for the High Level Liquid Waste Evaporator (used to concentrate and reduce liquid radioactive wastes) also was not established as required by EPA regulation. Further, followup actions to obtain a complete permit application for the Evaporator were not taken until almost 8 years after a notice of deficiency was issued to the Department of Energy.

Smoke drifts from the stack of the calciner at the Idaho National Environmental and Engineering Laboratory (photo courtesy of Laboratory).

- Data had not been collected to determine whether the Process Equipment Waste Evaporator – also used to concentrate and reduce liquid radioactive wastes – and associated tank systems were in compliance with emission standards.

We made recommendations for EPA Region 10 to require Idaho to timely address and resolve Research Conservation and Recovery Act permit application deficiencies, and evaluate compliance with emissions standards. EPA Region 10 agreed with our recommendations.

(Report No. 2004-P-00006, Review of EPA's Response to Petition Seeking Withdrawal of Authorization for Idaho's Hazardous Waste Program, February 5, 2004)

Office of Underground Storage Tanks Inadequately Managed Contracts

Our review of a hotline complaint found that EPA's Office of Underground Storage Tanks had inappropriately used and inefficiently managed contract funds.

EPA's Office of Underground Storage Tanks, which administers cleanup efforts related to leaking underground storage tanks, uses two primary contracts to perform its mission. In 1999, the Office awarded a contract to ICF, Incorporated, with a potential maximum value of $5.4 million. In 2001, the Office issued another contract, this time to the Bristol

Environmental Engineering & Services Corporation, with a maximum potential value of $11.1 million. The latter contract specifically involves remediation efforts in Indian Country.

For these two contracts, which the hotline complaint specifically requested we review, we found that the Office did not always identify the correct appropriations to be charged when ordering and paying for work. The Office used $218,000 in funds from the Leaking Underground Storage Tank appropriation when funds from the Environmental Program Management appropriation should have been used.

We also found that the Office obligated money to contracts but did not order a commensurate amount of work. The Office allowed approximately $330,000 in funds to expire because it did not order work from contractors during the life of the appropriation. We also found that the Office risks losing $483,648 in unliquidated obligations related to the practice of "parking" funds on contracts (obligating funds to contracts although no corresponding work has been identified).

Further, based on our limited review of the Office's performance measures, we are concerned that measures are not transparent (readily understandable) and meaningful. In March 2003, the Office changed the definition of "Cleanup Completed" and "Cleanup Initiated" to include sites where an evaluation determines no cleanup is needed, yet its performance reports do not explain this. We believe the definitions should be provided in performance reports.

In response to our findings, the Office of Underground Storage Tanks has taken or plans to take actions that should address our concerns. These actions involve better linking appropriations to work assignments, and better managing funds to prevent their expiration. Further, the Office indicated that EPA has initiated various actions to adequately use all contract funds available and plans to receive additional training in contract administration. Finally, the Office indicated it has posted performance measurement definitions on its web site and will link the definitions to future performance reports.

(Report No. 2004-P-00014, The Office of Underground Storage Tanks: Contract Administration and Performance Measurement Concerns, March 31, 2004)

Immediate Action Needed for Identifying Hazardous Waste Sites in Indian Country

In connection with our ongoing evaluation of EPA activities to enhance the role of Indian tribes in the Superfund program, we noted immediate actions were needed to address weaknesses in the Agency's development of an inventory of hazardous waste sites in Indian Country.

In 1999, the Agency started its development of an inventory of hazardous waste sites on Indian land, and provided funding to the Tribal Association on Solid Waste and

Emergency Response (TASWER) to provide EPA with necessary tribal input. Our review of EPA's efforts to develop an inventory disclosed some serious shortcomings:

- Project mismanagement issues associated with TASWER caused substantial delays.
- EPA had not fully defined the inventory-related information needed.
- TASWER's methodology for obtaining tribal input had serious limitations.
- EPA had not developed a detailed plan for validating, managing, storing, or updating the baseline inventory.

We believe that these shortcomings, if not substantially revised, will prevent a credible and reliable inventory from being produced. Moreover, without significant modifications, EPA will be required to make an additional investment in this effort.

The Upper Columbia River, a hazardous waste site impacting the Confederated Tribes of the Colville Reservation (EPA OIG photo).

Because TASWER's contractor was just beginning its tribal input activities in July 2003, we issued a "flash" memorandum to the Agency advising it of the need to take immediate actions to address the weaknesses in the inventory development effort.

We recommended that EPA provide more oversight to TASWER; define specific program information needs; review the inventory methodology and address key limitations; and develop a detailed plan for validating, managing, storing, and updating the baseline inventory. EPA generally indicated our recommendations were appropriate, but it needs to provide details on how it will implement our recommendations.

(Report No. 2004-P-00003, Immediate Action Needed to Address Weaknesses in EPA Efforts to Identify Hazardous Waste Sites in Indian Country, January 30, 2004)

Cross-Media

Issues involving overlapping areas – includes homeland security.

EPA Not Consistently Implementing Environmental Justice

EPA has not fully implemented Executive Order 12898 to provide environmental justice for minority and low income populations, nor has it consistently integrated environmental justice into its day-to-day operations.

In 1994, President Clinton issued Executive Order 12898, "Federal Action to Address Environmental Justice in Minority Populations and Low Income Populations," to ensure such populations are not subjected to a disproportionately high level of environmental risk.

Although EPA has been involved in implementing the Executive Order for 10 years, the Agency has not identified minority and low income populations or sufficiently defined "disproportionately impacted." EPA has not developed a clear vision or a comprehensive strategic plan, and has not established values, goals, expectations, and performance measures for environmental justice. We did note that the Agency made an attempt to issue an environmental justice toolkit, endorsed environmental justice training, and required that all regional and programmatic offices submit "Action Plans."

Citation from Executive Order 12898

To the greatest extent practicable and permitted by law and consistent with the principles set forth in the report on the National Performance Review, each Federal agency shall make achieving environmental justice part of its mission by identifying and addressing, as appropriate, disproportionately high and adverse human health or environmental effects of its programs, policies and activities on minority populations and low-income populations in the United States.... (Section 1-101)

In the absence of environmental justice definitions, criteria, or standards from the Agency, many regional and program offices implemented environmental justice policies on their own. This has resulted in inconsistent approaches, and environmental justice is dependent not only on minority and income status but also on the EPA region in which the person resides. Our comparison of how environmental justice protocols used by three different regions would apply to the same city resulted in a disparity in what EPA would designate as a protected population.

Moreover, in 2001, the Agency restated its commitment to environmental justice in a manner that does not emphasize minority and low income populations, which is the stated intent of the Executive Order.

We recommended that EPA issue a memorandum reaffirming that Executive Order 12898 is an Agency priority. We made other recommendations regarding definitions,

goals, measurements, vision, approaches, training, and a comprehensive strategic plan for environmental justice. The Agency disagreed with our position, and believes it is sufficiently implementing the Executive Order.

(Report No. 2004-P-00007, EPA Needs to Consistently Implement the Intent of the Executive Order on Environmental Justice, March 1, 2004)

Survey on Water Infrastructure Security Notes Ways to Improve Vulnerability Assessments

Recent terrorist activities and other incidents, such as the blackout in the midwest and northeast United States, demonstrated the crucial role of the water sector infrastructure in the health and economic well-being of the Nation. A survey on water security issues conducted at our suggestion by the Domestic Working Group – an informal group of local, State, and Federal auditors – disclosed how various water utilities performed vulnerability assessments.

Five Key Security Activities

- Threat Identification
- Detection
- Delay
- Response and Consequence
- Remote Access

We noted five key security activities critiqued through the vulnerability assessment process (see box). A variety of sources provided useful information to help water utilities prepare vulnerability assessments. Utilities most frequently cited consultants hired to assist in the preparation of vulnerability assessments as sources that provided useful information. This suggests a possible disadvantage to smaller utilities, which are required to complete vulnerability assessments by June 2004 but, unlike larger utilities, may not be able to afford a consultant.

All utilities surveyed had additional concerns and research needs. The utilities indicated that they still needed additional information regarding potential types of vulnerabilities that might exist. Further, utilities stated they needed financial assistance to make necessary security improvements, as well as training, research, and procedural changes. We noted in a prior report that EPA could use performance indicators to measure improvements in water security levels, and EPA officials agreed such indicators could be beneficial. Utilities provided input concerning indicators that EPA could use to measure changes in water security.

Based on our survey results and observations, we suggested that EPA ensure that small utilities have access to information gathered by consultants at larger utilities, ensure that water utilities have access to information on funding security enhancements, and consider using performance indicators.

(Report No. 2004-M-0001, Survey Results on Information Used by Water Utilities to Conduct Vulnerability Assessments, January 20, 2004)

EPA Needs to Better Define Homeland Security Role Regarding Air

EPA's Office of Homeland Security does not have a framework in place to carry out its responsibilities as designated by the Administrator. We acknowledge that this Office was recently created, but want to stress the importance of clarifying EPA's future roles and responsibilities in this area.

In particular, we found that some of EPA's homeland security roles and responsibilities related to air protection were limited and not well defined to enable EPA to be prepared for future events. To have a more coordinated, comprehensive approach to homeland security, EPA's Office of Homeland Security should first identify EPA's delegated homeland security responsibilities, and then track and oversee these efforts. Coordinating efforts amongst the various EPA offices, as well as with other agencies, is critical in order for success to be achieved.

We recommended that EPA's Office of Homeland Security clarify EPA's future roles and responsibilities in homeland security to enable it to properly prioritize and commit resources to its traditional and homeland security missions, and establish and maintain a database to oversee and track the progress for all EPA homeland security efforts. EPA generally agreed with our recommendations, although the Agency needs to be more specific on how it plans to carry out the recommendations.

(Report No. 2004-M-00005, EPA's Homeland Security Role to Protect Air from Terrorist Threats Needs to be Better Defined, February 20, 2004)

Additional Reviews Addressed Homeland Security Issues

- We found that EPA needs to improve management of counter terrorism/ emergency response equipment (see page 19).
- In response to a Congressional request, we provided Congress with details on various enforcement issues, including new EPA duties related to homeland security (see page 35).

Grants

Improving EPA's use of assistance agreements.

Lobbying Organization Inappropriately Received Federal Funds

The Consumer Federation of America, a Washington-based lobbying group, effectively received Federal funds under EPA cooperative agreements in violation of the Lobbying Disclosure Act of 1995. Consequently, we questioned $4.7 million in funds provided.

Although EPA awarded five cooperative agreements to the Consumer Federation of America Foundation based on applications that showed labor and other operating costs, the Foundation did not have any employees, space, or overhead expenses. Instead, the Consumer Federation of America itself, a lobbying organization described under section 501(c)(4) of the Internal Revenue Code, effectively received the EPA funds and performed the work. The Lobbying Disclosure Act prohibits 501(c)(4) lobbying organizations from receiving Federal funds under such grants.

Recent testimony by an EPA Assistant Inspector General before several Congressional committees addressed a number of issues involving assistance agreements, including the inappropriate funding awarded to the Consumer Federation of America. See page 36.

Further, our examination disclosed that the financial management system used to account for the Federal funds was not in compliance with the Code of Federal Regulations, the procurement standards required by those regulations were not always followed, and sub-grants were not administered in accordance with the regulations.

We also have serious concerns about the role EPA may have had in the award and oversight of the subject cooperative agreements. In its response to the draft report, the Federation alleged that EPA asked the Federation to manage a program on indoor air quality and to manage a national public service campaign to educate consumers about health risks of radon. Both awards were initiated by EPA, and EPA determined the need and the scope of both programs.

We recommended that EPA annul the five subject cooperative agreements and recover all funds paid to the recipient. We also recommended that EPA suspend work under current grants or cooperative agreements not covered by this audit, and make no new awards until the recipient can demonstrate that its financial management practices and controls over Federal funds comply with all regulatory requirements. Further, we recommended that EPA require the recipient to prepare and submit performance reports for current grants or cooperative agreements.

(Report No. 2004-4-00014, Consumer Federation of America Foundation – Costs Claimed Under EPA Cooperative Agreements CX825612-01, CX825837-01, X828814-01, CX824939-01, and X829178-01, March 1, 2004)

Grant for Basin Cleanup Coalition Found to Be Inappropriate, Subsequently Terminated

Based on our review of a hotline complaint, we found that a technical assistance grant was inappropriately awarded to the Basin Cleanup Coalition in Coeur d'Alene, Idaho. Subsequently, as a result of our review, EPA terminated the grant, which would have totaled $50,000 in Federal funds.

Details on our review of other complaints regarding cleanup efforts in the Coeur d'Alene area are on page 31.

We found that the Coalition was not a qualified grant recipient because of potential conflicts of interest and because it did not meet administrative and management capability requirements. Specifically, based on our review of the complainant's allegations, we found that:

- The Coalition did not have a sufficient membership to have a Board of Directors and, as a result, was unable to enter into contracts to hire a technical advisor as required under the grant.

- The Coalition was not eligible as a technical assistance grant recipient because it did not obtain tax exempt status.

- While we could not confirm the allegation as to whether the Coalition was the "creation" of the Coeur d'Alene Chamber of Commerce, the Coalition and the Chamber did have common characteristics. The Coalition incorporator was also the President and General Manager of the Chamber, which we considered a conflict of interest, and the Coalition and Chamber shared the same address. Further, it was the intent of the Coalition to enter into a contract with the Chamber that would have enabled the Chamber to act as the grant administrator, in spite of EPA's notification that such an arrangement was prohibited.

As a result of our meeting with EPA's Region 10 regarding these issues, the Region notified the Coalition on December 5, 2003, that the grant was being terminated. This resulted in $50,000 in Federal funds being put to better use, as well as the resolution of an improper award. Further, the Region agreed with our recommendation to improve post award procedures.

(Report No. 2004-P-00010, Review of Hotline Complaint Regarding Technical Assistance Grant No. 1-97025201 Awarded to the Basin Cleanup Coalition, Coeur d'Alene, Idaho, March 25, 2004)

Financial Statements for New Mexico Grant Generally Accurate, But $11,558 in Costs Questioned

An examination of total outlays reported by the New Mexico Environment Department under an EPA cooperative agreement related to Superfund efforts indicated financial statements were generally accurate, although we noted $11,558 in questioned costs.

Of $2,919,206 in cumulative total outlays claimed under Cooperative Agreement V986338-01, we found that the State did not fully match its 10-percent cost sharing requirements for its core program activities under the agreement, resulting in an $11,558 overdraw of Federal funds. The State agreed with our recommendation that EPA recover that amount. The State also did not report $29,239 of its State match.

The agreement was authorized under the Comprehensive Environmental Response, Compensation, and Liability Act to provide financial support for various Superfund activities, including: pre-remedial activities; EPA-lead management assistance activities; State-lead activities for Fruit Avenue and North Railroad Avenue plume sites; voluntary remediation activities; and various core program activities, such as administrative and legal services.

(Report No. 2004-4-00012, New Mexico Environment Department Costs Claimed Under Cooperative Agreement No. V986338-01, March 31, 2004)

Contracts

Improving EPA's use of contracts.

EPA Needs to Improve Management of Counter Terrorism/Emergency Response Equipment

EPA does not have adequate processes for identifying, obtaining, maintaining, and tracking equipment needed to respond to terrorist attacks and Nationally Significant Incidents (events that may exceed the resources of a single EPA region).

Our review disclosed that EPA leadership did not move expeditiously to develop sufficient EPA capability and capacity to respond to the consequences of multiple major terrorist acts or Nationally Significant Incidents. Specifically:

- EPA took 12 months to identify salient characteristics (the key performance characteristics needed to actually purchase the items) for 11 of 13 categories of counter terrorism/emergency response equipment, and had still not obtained almost 40 percent of the items. Further, for more than a year, EPA paid for warehouse space for equipment not yet obtained.

- EPA's older counter terrorism/emergency response equipment on hand has been poorly maintained, and maintenance records were sometimes inaccurate.

- EPA does not have a national system for tracking counter terrorism/emergency response equipment.

We did note that EPA complied with the Federal Acquisition Regulation when purchasing counter terrorism/emergency response equipment, and has an adequate process for moving equipment.

Emergency Response Demonstration Exercise held in Portland, Oregon, using counter terrorism/emergency response equipment (EPA OIG photo).

The deficiencies noted occurred because EPA did not develop a coordinated plan with aggressive milestones and points of accountability for identifying, obtaining, maintaining, and tracking this equipment. As a result, EPA's ability to protect the public health and the environment in the event of future terrorist attacks and Nationally Significant Incidents may be impaired. Also, since the Agency had obligated almost $3.7 million for warehouse space before significant

quantities of equipment were delivered, a portion of that amount was needlessly obligated.

We recommended that EPA develop a plan with aggressive milestones and points of accountability, for identifying, obtaining, maintaining, and tracking counter terrorism/emergency response equipment. EPA generally agreed with our recommendations.

(Report No. 2004-P-00011, EPA Needs to Better Manage Counter Terrorism/Emergency Response Equipment, March 29, 2004)

Financial Reporting

Improving the Agency's financial reporting.

EPA Earns Unqualified Opinion on Financial Statements

EPA earned an unqualified opinion on its fiscal 2003 financial statements. Further, we did not note any material weaknesses in internal controls or compliance during our review.

During our review, we noted that the Superfund Trust Fund, managed by the U.S. Treasury Bureau of Public Debt, transferred funds to EPA in excess of the assets available to be transferred by $82.7 million in fiscal 2003. This occurred because the fund had decreased over several years and because of unanticipated tax refunds. The $82.7 million shortfall was subsequently covered by fiscal 2004 appropriations from the Treasury's general fund.

In evaluating EPA's internal controls, we identified eight reportable conditions. Although we do not believe they represent material weaknesses that would prevent the fair presentation of reliable financial statement amounts, they are internal weaknesses that still should be corrected. The eight reportable conditions were as follows:

- EPA did not always adequately document standard vouchers for transfer requests from Treasury to EPA Trust Fund accounts (Superfund and Leaking Underground Storage Tank Trust Funds) prior to transactions being entered into the Integrated Financial Management System.

- EPA project officers regularly approved invoices without the detailed documentation to support costs.

- EPA did not reconcile the unearned revenue from State Superfund Contracts to the general ledger, and therefore could not ensure the accuracy of the approximately $29 million recorded for that account.

- EPA did not promptly record approximately $2 million in marketable securities received in fiscal 2003 from companies in settlement of debts.

- The Integrated Financial Management System suspense file was not in compliance with the requirement that the Application Program Interface provide internal controls, such as control totals and record counts, to ensure integrity.

- Due to system shortcomings, we continued to be unable to assess the adequacy of the automated internal control structure as it relates to automated input, processing, and output controls for the Integrated Financial Management System.

- For accounts receivable, we noted numerous instances where receivables were not recorded timely due to late submission of supporting documentation from Department of Justice, Regional Counsel, or program offices. Further, one regional financial management office did not properly calculate its allowance for doubtful accounts.

- EPA's Financial Systems Branch bypassed the Integrated Financial Management System manual online data entry controls when making a systemic correction of erroneous transactions; instead of using the journal voucher process, it reversed transactions by processing negative debts and positive credits. As a result, the audit trail for these transactions was hidden and basic evidence requirements for the transactions were circumvented.

Our tests of compliance with laws and regulations did not identify any instances of noncompliance with laws and regulations that would materially misstate the financial statements. However, we identified three noncompliances under the Federal Financial Management Improvement Act. Although EPA made significant improvements regarding cost accounting, EPA was not in compliance with the Statement of Federal Financial Accounting Standards No. 4 that requires EPA to provide full costs per output to management in a timely fashion. Further, we noted noncompliances related to reconciliation of intragovernmental transactions and completion of the fiscal 1999 remediation plan. None of these noncompliances met the Office of Management and Budget's definition of substantial noncompliance.

In its response to our draft report, the Office of the Chief Financial Officer generally concurred with our recommendations and noted the completion or planning of a number of corrective actions. Regarding our concerns related to the Superfund Trust Fund shortfall and the decline in cost recoveries, the Office of the Chief Financial Officer indicated the Superfund program will continue to operate as long as Congress continues to appropriate funds for it, and noted that EPA's fiscal 2003 appropriation came from Trust Fund assets and the general fund.

(Report No. 2004-1-00021, Audit of EPA's Fiscal 2003 and 2002 Financial Statements, November 21, 2003)

Business Systems

Improving the Agency's information technology.

EPA Needs to Improve Administration of Computer Network Firewalls

While the Office of Environmental Information has taken positive actions to properly implement EPA's computer system firewalls, additional areas need to be addressed to provide greater assurance that the Agency's information resources are adequately secured.

EPA uses "firewall" technology, in combination with other network security devices, as the foundation to secure information resources. EPA's "physical" security practices for the firewalls, which include continuity of operations practices and procedures, were adequate. However, logical and configuration improvements are needed. Specifically:

- Several of the workstations used to remotely administer EPA's firewall need to be configured to maximize network security.
- EPA's firewall enforcement point servers (i.e., Public Access and Agency) need to be properly maintained to prevent malicious attacks on the network.

As a result, hackers could circumvent EPA's network security, allowing them the potential to negatively affect integrity, confidentiality, and availability of EPA systems and data on the network. These weaknesses occurred because of problems related to remote administration, the change and patch management process, and scanning methodology (see box).

Firewall Weaknesses occurred because:

- EPA management had not established a standard configuration requirement for workstations used to remotely administer firewalls.
- The firewall change and patch management process does not define a procedure to ensure that when changes or patches are applied they do not adversely affect previously applied fixes.
- EPA relied on an ineffective methodology for scanning the National Computer Center's network infrastructure.

To provide greater assurance that information resources are adequately secured, we recommended several improvements assigned to firewall components. These include establishing a standard configuration requirement related to remote administration, modifying the change and patch management processes, and modifying the network vulnerability assessment methodology regarding scanning of all firewall components. EPA agreed to take appropriate corrective actions.

(Report No. 2004-P-00013, EPA's Administration of Network Firewalls Needs Improvement, March 31, 2004)

Investigations

Investigating laboratory fraud, financial fraud, and computer crimes.

Laboratory Fraud

Laboratory President Suspended

On November 18, 2003, EPA's Debarring Official issued a Notice of Suspension to Edward V. Kellogg, President and Quality Control Manager of Johnson Laboratories, Inc., New Cumberland, Pennsylvania. This suspension notice was issued as a result of a May 2003 indictment in U.S. District Court, Eastern District of Pennsylvania, for 34 counts of mail fraud.

The indictment alleged that from May 1998 through July 2000, Kellogg engaged in a scheme to defraud Johnson Laboratories' customers by creating and billing customers for false and fraudulent environmental test reports. Johnson Laboratories provided analytical testing services to the EPA at the Bruin Lagoon Superfund Site in Bruin, Pennsylvania, as well as to commercial clients. The Notice of Suspension is a temporary action pending completion of the investigation and any legal proceedings that may ensue.

This investigation is being conducted jointly with the EPA Criminal Investigation Division, the U.S. Army Criminal Investigation Command, and the Pennsylvania Attorney General's Office.

Subcontractor Agrees to $260,605 Settlement

The government, through its prime contractor, entered into a contractual settlement with Environmental Chemical Corporation (ECC), Cincinnati, Ohio, resulting in a savings to the government of $260,605. ECC was a subcontractor that provided laboratory testing services for an EPA-funded, U.S. Army Corps of Engineers contract to perform cleanup work at the Drake Chemical Superfund Site in Lock Haven, Pennsylvania.

During the course of the contract, it was determined that ECC was involved in laboratory testing improprieties, such as not following its own established policies and procedures for testing and false calibrations, which resulted in ECC losing its Lab Validation and resulted in harm to the government. The government and ECC, through the prime contractor, agreed that if ECC would close out its subcontract and not seek payment of $260,605 of previously billed but unpaid costs, the government would consider that just compensation for the potential ECC fraud.

This case was conducted jointly with the U.S. Army Criminal Investigation Command and the Defense Criminal Investigative Service.

Computer Crimes

Twelve Plead Guilty in Software Piracy Case

In December 2003, 12 defendants pleaded guilty before a U.S. District Court judge, in the District of Nevada, to charges of conspiracy to commit copyright infringement. The defendants were members of a computer software piracy group known as the "Rogue Warriorz," a secretive underground group that illegally altered and distributed copyrighted software, movies, and games over the Internet.

The defendants were among 21 persons indicted in June 2002, as part of "Operation Bandwidth," a 2-year-long, multi-agency undercover operation, to identify and prosecute entities and individuals involved with illegal access to computer systems and piracy of proprietary software utilizing storage sites in the Internet. At least 18 group members were hackers who had illegally accessed EPA computer systems to further the reproduction and distribution scheme.

The defendants entered into a "group plea" to the charge of conspiracy to commit copyright infringement and have agreed to pay full restitution to the victims of their offense. The defendants have also agreed to surrender the unlawfully obtained copyrighted works and all of the computer equipment they used to commit these offenses.

Robert L. Maersch, who previously pleaded guilty to conspiracy to commit copyright infringement, was sentenced on January 12, 2004, in the U.S. District Court, District of Nevada, to 6 months of electronically monitored home detention and 4 years probation. In addition, he was ordered to pay a $5,000 fine and a $100 special assessment. As part of his sentencing, Maersch was ordered to forfeit 595 computer and computer-related items.

Network Penetration Laboratory Established

In 2003, the Computer Crimes Directorate launched its Network Penetration Laboratory, providing tools and investigative expertise to support the EPA in meeting Federal Information Security Management Act standards. With its first series of tests of the Office of the Chief Financial Officer network, an accurate assessment of system security was obtained and the information was used by that office to improve its security.

The Federal Information Security Management Act requires that network information security controls and techniques be periodically tested and evaluated to ensure that they are effectively implemented. Further, each government agency is required to perform an independent evaluation of the information security program and practices of that agency to determine the effectiveness of such programs and practices, including testing of the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems.

Daniel Withrow was sentenced in U.S. District Court, District of Nevada, on February 27, 2004, and placed on 3 years probation and ordered to pay a $200 special assessment. Withrow previously pleaded guilty to criminal infringement of a copyright and interfering with government communication systems.

This investigation is being conducted jointly with the Federal Bureau of Investigation and the Defense Criminal Investigative Service.

Former EPA Contract Employee Sentenced for Possession of Child Pornography

On March 1, 2004, John Mirisola, a former contract employee working at the EPA New England Regional Laboratory, Chelmsford, Massachusetts, pleaded guilty and was sentenced in Middlesex Superior Court, Commonwealth of Massachusetts, for possession of child pornography. Mirisola was sentenced to 2 years probation and ordered to pay a $90 fee. Mirisola must register as a sex offender, undergo sex offender evaluation and/or treatment, and have no unsupervised contact with children under the age of 16.

While working at the EPA laboratory, Mirisola accessed various internet sites using his government-owned computer and downloaded pornographic material. An extensive computer forensic examination was conducted by the OIG Computer Crimes Directorate that documented instances of Mirisola downloading inappropriate material, including child pornography. Lockheed Martin, Mirisola's employer, was notified of his activity and he was subsequently terminated.

Former Contract Employee Found Guilty of Unauthorized Access into EPA Computer

On February 5, 2004, Antoine Michael Perry was found guilty by a Federal jury in U.S. District Court, District of Columbia, of unauthorized access to a computer causing damage. Perry is currently awaiting sentencing in this matter.

Perry was temporarily employed as a subcontractor to work as a computer systems administrator at the EPA in Washington, D.C. On September 24, 1999, Perry was terminated from his position. During the following weekend, he connected on multiple occasions, without authorization, to the EPA computer network through a remote computer connection from his home. During these connections, Perry intentionally deleted several programs that controlled the network's printers and caused other unauthorized damage to the computer network. As a result of his actions, the computer network had to be shut down for repair, which prevented the EPA employees using that network from carrying out their responsibilities related to the cleanup of environmentally contaminated sites around the country.

This case was conducted jointly with the Federal Bureau of Investigation.

Financial Fraud

Impersonator Sentenced for Defrauding Employment Agencies

On October 3, 2003, Steven Wayne Divine was sentenced in U.S. District Court, Western District of Washington, to serve 33 months in prison, followed by 5 years of probation, on charges related to defrauding employment agencies. In addition, Devine must pay $35,411 in restitution and a $1,200 special assessment.

Between October 1999 and May 2003, Divine devised a scheme to defraud temporary employment agencies in Oregon and Washington State. Divine would contact various agencies using a false name and identify himself as an upper level employee of a company or government agency, including the EPA. He would then contract with the employment agency to "payroll" a purported employee of the company or agency. For an agreed upon fee, the employment agency would handle payroll issues and issue payroll checks to the purported employee, Divine. The employment agencies would either mail an invoice to the company or government agency to receive payment for their services or Divine would appear at the employment agency and present a counterfeit check to pay for the agency's services.

Multiple Defendants Sentenced in Kickback Scheme

Several officials from Ebasco Services, Inc., a major government contractor, as well as officials from one of Ebasco's subcontractors, have been sentenced in connection with a kickback scheme.

Ebasco provided power generation, environmental remediation, hazardous waste processing, and construction services to numerous government agencies, including the EPA and the Department of Defense. In connection with those contracts, Ebasco entered into subcontracts with various vendors and suppliers to provide the goods and services needed to perform the contracts.

Frederic DiNonno, a manager in Ebasco's graphics department; Lawrence Towers, a supervisor in Ebasco's graphics department; and Vincent Patuto, an Ebasco facilities management supervisor, awarded subcontracts to several vendors in exchange for kickbacks. DiNonno and his co-conspirators established at least two companies to receive the kickback payments from the various vendors. More than $2.6 million in kickbacks were paid to DiNonno and his co-conspirators in exchange for favorable treatment. Approximately $800,000 of the kickbacks were in connection with government contracts. These kickback payments were charged to the government through Ebasco's invoices for payment under the contracts.

Robert J. Strom and Thomas M. Costas, Sr., co-owners of Action Reprographics, Inc. were sentenced in U.S. District Court, District of New Jersey, on December 3,

2003, and December 13, 2003, respectively. Each was placed on probation for 5 years, including 6 months of home detention, and ordered to perform 40 hours of community service. In addition, each was fined $24,000 and a $200 special assessment. Both Strom and Costas previously pleaded guilty to charges of conspiracy to violate the Anti-Kickback Act of 1986 and filing a false income tax form. In 2002, each entered into a $100,000 civil settlement with the U.S. Government for his part in the kickback scheme.

On November 5, 2003, Vincent Patuto was sentenced in U.S. District Court, District of New Jersey, to 2 years probation, and ordered to pay a $1,000 fine and a $100 special assessment. Patuto pleaded guilty in September 2001 to conspiracy to violate the Anti-Kickback Act and subscribing to false income tax returns.

Frederic DiNonno pleaded guilty in 2001 to charges of conspiracy to violate the Anti-Kickback Act of 1986 and filing a false tax return. Lawrence Towers pleaded guilty in 2001 to charges of violating the Anti-Kickback Act and aiding DiNonno in filing a false tax return. Sentencing for both is still pending.

This case was conducted with the U.S. Postal Service, Office of Inspector General; the Defense Criminal Investigative Service; the Internal Revenue Service, Criminal Investigations Division; and the National Aeronautics and Space Administration, Office of Inspector General.

Two University Employees Sentenced for Theft

On December 16, 2003, in Superior Court, State of Connecticut, Shili Liu, Laboratory Director, and Robert Carley, Director, Environmental Research Institute (ERI), University of Connecticut, were found guilty of conspiracy to commit larceny in the first degree. Liu was also found guilty of larceny in the first degree.

Both Liu and Carley were sentenced to 12 months in the Accelerated Rehabilitation Program (Pre-trial diversion), ordered to perform 100 hours of community service, and fined $100. In addition, Liu and was ordered to return $62,772 to the university.

Liu and Carley had been receiving rent monies from visiting scholars at ERI, even though the scholar's housing was provided and paid for by the University of Connecticut under Federal grant monies awarded to ERI by the EPA.

This case was conducted with the assistance of the University of Connecticut Police Department.

Questionable Expenses Result in $30,000 Settlement

On February 9, 2004, a settlement agreement was reached between Sherman Titens, Titens Consulting Group, and the U.S. Government, relating to questionable

expenses charged to EPA cooperative agreements by Mr. Titens, former President of the Coordinating Committee for Automotive Repair (CCAR). This agreement was facilitated by the U.S. Attorney's Office in Wichita, Kansas. In the settlement, Titens and Titens Consulting Group agreed to pay $30,000 to the government and be voluntarily debarred for a period of 3 years.

In 2001, a joint proactive effort between the EPA OIG Office of Audit and Office of Investigations was initiated to assess various cooperative agreements for vulnerabilities. The cooperative agreements issued to CCAR were selected for review in EPA Region 7. CCAR received approximately $2 million in cooperative agreements from the EPA. During the assessment, it was discovered that Titens had submitted approximately 40 questionable claims for travel reimbursement. Titens resigned his CCAR position before the review began.

Impersonator Sentenced for Copying Official Seals

On February 6, 2004, Steven L. Nagy was sentenced in U.S. District Court, Northern District of Texas, to 46 months in prison, followed by 3 years of supervised release, in connection with charges related to impersonation. Nagy was also ordered to pay $218,656 in restitution and a $200 special assessment.

Nagy, the owner and operator of Earth Source Environmental Management, Sallisaw, Oklahoma, created copies of professional engineering seals bearing the names and license numbers of at least four professional engineers. Nagy used the forged credentials to write, sell, and distribute fraudulent Spill Prevention Control and Countermeasure Plans.

Under Federal regulation, Spill Prevention Control and Countermeasure Plans are required to be signed and certified by a licensed professional engineer and maintained on file at certain facilities. If a facility does not have a signed and certified plan, they are fined $5,000 regardless of the quality of the plan. Nagy admitted to producing Spill Prevention Control and Countermeasure Plans for more than 100 customers since 1991 using the forged credentials.

Professor Settles Civil Complaint

On February 13, 2004, Richard B. Schlesinger, professor of environmental medicine, New York University School of Medicine, entered into a civil settlement in U.S. District Court, Southern District of New York, to settle a false claims case. In the settlement, Schlesinger agreed to pay the United States $17,500. From 1999 to August 2001, Schlesinger submitted numerous fraudulent reimbursement requests to New York University. These reimbursement requests were paid from monies provided by Federal grants funded by the EPA. Schlesinger used the illegally obtained funds to support his personal hobby of stamp collecting.

EPA Employee Sentenced in Credit Card Case

On March 1, 2004, Laticia Cunningham, Information Management Assistant, Office of Executive Support, EPA Office of the Administrator, was sentenced in U.S. District Court, District of Maryland, to 3 years probation and ordered to pay $4,278 in restitution and a $25 special assessment. This sentencing is a result of Cunningham's guilty plea to conversion of government property. Cunningham's aunt, an employee of the Department of Health and Human Services, National Institutes of Health, stole a government purchase card from the National Institutes of Health mail room. Cunningham admitted to using this stolen purchase card to make personal purchases at local retail stores.

This case was conducted with the Department of Health and Human Services, Office of Inspector General.

Former Finance Director Sentenced for Embezzlement

On December 1, 2003, Debra P. Strickland, former Finance Director, Lower Mississippi River Conservation Committee (LMRCC), was sentenced in U.S. District Court, Southern District of Mississippi, to 33 months in prison, followed by 3 years of probation, on charges related to embezzlement. She was ordered to pay $637,855 in restitution to LMRCC and a $100 special assessment. LMRCC received Federal grant monies from the EPA as well as the U.S. Fish and Wildlife Service. Strickland, as the Finance Director, was the only person who had signature authority on the LMRCC bank account. Strickland would write checks for cash from the LMRCC bank account and keep the proceeds.

This case was conducted jointly with the Department of Interior, Office of Inspector General.

Public Liaison

Addressing specific concerns of the public.

Review at Bunker Hill Site Found EPA Actions to Generally Be Appropriate

An EPA OIG review of complaints regarding the Bunker Hill Superfund site and the surrounding Coeur d'Alene Basin area found that EPA followed laws and regulations in listing the site and met community involvement standards. However, we found that the site's Lake Management Plan could better address cleanup.

The OIG conducted a review of issues that citizens brought to our attention regarding the Bunker Hill/Coeur d'Alene Basin site, primarily located in northern Idaho.

We found that EPA followed laws and regulations in listing the site, and concluded that EPA made a logical decision to first do cleanup work in the Bunker Hill "Box" (where the mines and smelter were located) and then later pursue further cleanup as needed in the overall Basin. EPA is permitted to address the most critical areas first, and we consider that a logical decision.

Another concern raised was whether the Comprehensive Environmental Response, Compensation, and Liability Act authorizes the Basin Environmental Improvement Commission to plan, prioritize, and perform response/remedial actions, as specified in the September 2002 Record of Decision. The Act does not address the creation of such an independent body. However, the National Contingency Plan – the Federal Government's blueprint for responding to hazardous substance releases – encourages and allows the involvement of such a commission.

Aerial photo of former Bunker Hill smelter facility (EPA photo).

We found that the Coeur d'Alene Lake Management Plan could better address cleanup under the Clean Water Act. The management actions recommended in the Plan lack detail, and do not fully support an EPA decision to conduct a partial deletion of the Lake from the National Priorities List. We recommended better implementation of the plan. Further, due to the lack of dedicated funding for Plan implementation, we recommended that EPA, the State of Idaho, and the Coeur d'Alene Tribe form a consensus about dedicating the funds. EPA indicated it will respond to the specific recommendations after the final report is published; a response is due in June 2004.

Although concerns were raised about EPA properly following laws and regulations in handling community involvement during the Superfund process, we concluded that community involvement met standards. We found many instances where EPA took positive steps to involve the community, and noted considerable input by the community for the remedial design work for the overall Coeur d'Alene Basin. Also, we found evidence that EPA took steps to help alleviate the economic downturn in Shoshone County, which includes the Bunker Hill Box and much of the Coeur d'Alene Basin.

(Report No. 2004-P-00009, Ombudsman Review of Bunker Hill and Coeur d'Alene Basin Superfund Actions, March 24, 2004)

Additional Public Liaison Reviews Conducted

In addition to a review of citizen complaints regarding the Bunker Hill Superfund site, we conducted several other reviews of citizen complaints and provided our conclusions to interested parties.

Regarding the Lemon Lane Landfill, part of the Westinghouse PCB (Polychlorinated Biphenyls) Site Cleanup, Bloomington, Indiana, we concurred with EPA and the State that there was no potential health risk to the immediate public, since the landfill is not accessible to the public. It should be noted that EPA and the State had determined that there *is* a risk of PCB contamination of several springs, and we agreed. We also concluded that studies equivalent to remedial investigation/feasibility studies had been performed for the various Westinghouse site locations, and that the Lemon Lane Landfill was remediated to Comprehensive Environmental Response, Compensation, and Liability Act standards.

Our review of complaints surrounding the Lowery Landfill Site, Arapahoe County, Colorado, found that EPA has taken appropriate steps to protect public health and the environment. Extensive sampling has not shown the exceeding of stringent standards for radionuclides, and we determined that bi-weekly sampling will continue to ensure safety and protection of public health and the environment. Also, we found that an early warning monitoring system is in place for detecting the presence of radionuclides in the groundwater.

For the Solitron Devices site, Riviera Beach, Florida, regarding concerns about the burden for payment of the maintenance of the air stripper used to clean the city's drinking water, we determined that there was agreement that the cost will be borne by EPA rather than the community. Further, it appears that groundwater contaminated by volatile organic compounds will be properly treated, and EPA will conduct the necessary sampling to design the chemical oxidation system. Lastly, EPA completed the additional data collection pertaining to groundwater testing at the site.

Hotline Activity

The following EPA OIG Hotline activity regarding complaints of fraud, waste, and abuse in EPA programs and operations occurred during the past semiannual period:

	Semiannual Period (October 1, 2003 - March 31, 2004
Complaints Open	**30**
Complaints Closed	**461**
Complaints Handled by EPA OIG	**111**
Complaints Referred to:	
EPA Program Offices	**129**
EPA Criminal Investigation Div.	**2**
Other Federal Agencies	**40**
State/Local Agencies	**209**

Congressional Requests

Providing Congress with specific information.

OIG Provides Congress Details on $174.9 Million Superfund Shortfall

In response to a Congressional request, we issued a report on the fiscal 2003 funding needs for non-Federal Superfund sites, and estimated a $174.9 million shortfall. During fiscal 2003, this limited funding prevented EPA from beginning construction at all sites or providing the amount of funds needed to address sites in a manner believed necessary by regional officials. This caused projects to be segmented in phases and/or scaled back.

Category	Estimated 2003 Funding Shortfall (millions)
New start construction projects not funded	$118.5
Remedial projects not sufficiently funded	40.8
Removal projects not sufficiently funded	9.4
Pipeline projects not sufficiently funded	6.1
Total (difference due to rounding)	$174.9

A breakdown of the estimated $174.9 million shortfall is shown in the table. Removal funding involves emergency and time-critical actions; pipeline funding involves pre-construction activities, such as studies and remedy selection; and remedial funding is for remedial construction, long-term response actions, non-time critical removals, and five-year reviews.

EPA emphasized the funding of ongoing construction over new construction starts. For fiscal 2003, the National Risk Based Priority Panel considered 35 new start projects and determined that 9 should receive remedial funds. Of the remainder, 15 did not receive remedial funds, and 11 were determined not ready for various reasons, including enforcement issues, changed site conditions, and design complications.

When calculating amounts obligated for fiscal 2003 removal, pipeline, and remedial projects, we included not only the amounts from EPA's fiscal 2003 and prior year appropriations, but also the amounts from State Superfund contracts and from potentially responsible parties in response to Consent Decrees. For fiscal 2003, EPA regions obligated $160.3 million for removal projects, $107.6 million for pipeline projects, and $369.3 million for remedial projects.

Our shortfall estimate only considers the regions' use of extramural resources (funds for contractors and others outside EPA), and does not address intramural resources (obligations involving the labor and travel of EPA personnel that are obligated to specific Superfund sites).

(Report No. 2004-P-00001, Congressional Request on Funding Needs for Non-Federal Superfund Sites, January 7, 2004)

Special Request Report Details Enforcement Information

The OIG provided Congress with details on specifically requested information on EPA enforcement issues, addressing such topics as new EPA duties related to homeland security, funding, and case loads.

EPA has shifted priorities, budget, and personnel to activities that would support homeland security. EPA's Office of Enforcement and Compliance Assurance criminal enforcement staff has worked on homeland security investigations, assisted in the anthrax investigation at the U.S. Capitol, and provided training and other information to local and State water authorities. For fiscal 2003, the Office of Enforcement and Compliance Assurance was provided about $4 million to support homeland security.

Regarding funding, for fiscal 2003 as of August 28, 2003, EPA had spent approximately $318 million on its goal to ensure full compliance with laws intended to protect human health and the environment. Although we had noted funding shortfalls in certain areas in the past, EPA lacked sufficient information on workload and results that would allow us to evaluate the overall sufficiency of funds for EPA's enforcement activities, and EPA needs this results information.

As noted in the table, EPA had 3,858 enforcement cases open in August 2003. Sometimes there were delays in pursuing a case. Various factors were cited for such delays, including insufficient resources, assigning staff to work on major disasters (such as the World Trade Center collapse), coordinating with State authorities, and various legal issues.

Type of Case	No.
Criminal *(as of August 26, 2003)*	1,190
Civil *(as of August 9, 2003)*	
Clean Air Act	1,041
Resource Conservation and Recovery Act	874
Clean Water Act	753
Total	3,858

Contrary to recent news accounts, we found no indication that EPA has loosely defined "agent" to inflate its numbers of Criminal Investigation Division agents. We also found that there were policies in place governing the Division's work performed, although it appeared that the management systems for tracking leads, time, results, and training needed improvement.

(Report No. 2003-S-00001, Congressional Request on EPA Enforcement Resources and Accomplishments, October 10, 2003)

Testimony

Providing testimony before Congressional committees.

Assistant Inspector General Testifies on Assistance Agreement Efforts

During testimony before several Congressional committees, an OIG Assistant Inspector General stated that EPA needs to continue to improve the way it manages assistance agreements.

"It is imperative that the Agency use good management practices in awarding and overseeing these agreements to ensure that they effectively contribute to attaining environmental goals," Melissa Heist, the OIG's Assistant Inspector General for Audit, told members of the Senate's Committee on Environment and Public Works during testimony on March 3, 2004.

Heist noted assistance agreements are a primary means EPA uses to carry out its mission of protecting human health and the environment. The approximately $4.4 billion in assistance agreements awarded during fiscal 2003 encompassed more than half of that year's Agency budget.

In addition to reviewing management of specific grants, Heist noted OIG has also looked at overall systemic problems.

> *It is imperative that the Agency use good management practices in awarding and overseeing these agreements to ensure that they effectively contribute to attaining environmental goals.*
>
> - Melissa Heist, Assistant Inspector General for Audit
> March 3, 2004

"Our grants management work has focused on crosscutting national issues and has included grants made to States, local and tribal governments, and nonprofit organizations. . . . We designed our work to identify systemic problems preventing the Agency from achieving the maximum results from the billions of dollars awarded in assistance agreements every year," she said.

Heist noted that we reported in 2003 that project officers did not perform all the necessary steps when conducting pre-award reviews. "Without complete pre-award reviews of proposed projects, there was insufficient assurance that the funded projects would accomplish program objectives or desired environmental results. There was also insufficient assurance that proposed costs were reasonable, and that recipients were technically capable of performing the work. EPA may also have lost the opportunity to fund other projects that would have better achieved its mission," Heist pointed out.

Oversight of assistance agreements after they are awarded is also an area of concern. Heist noted that while the Agency has developed policies and training to improve oversight, it did not ensure that the policies were followed consistently. "The challenges

for EPA will now be to ensure that staff implement, and are held accountable for, following the new policies and for implementing the new grants management and training plans," she said.

Heist also provided examples of problems with specific assistance agreements that show how EPA's lack of review and oversight can contribute to problems with the grantee. She noted an instance of a $4.7 million grant that the OIG questioned because the work was performed by an ineligible lobbying organization. For another grant, we questioned $1.7 million in costs claimed because the recipient did not have an adequate time distribution system and an indirect cost rate, as required.

Previously, on October 1, 2003, Heist testified on assistance agreements before the House Transportation and Infrastructure Subcommittee on Water Resources and the Environment. She discussed how the OIG has issued hundreds of audits on assistance agreements over the past few years, involving millions of dollars of questioned costs.

One particular issue she addressed during that testimony was that some grant recipients continued to have problems in the procurement of contractual services, noting that recipients did not have sufficient knowledge of procurement regulations, and often procured services as a result of familiarity and long-term relationships with contractors.

"Competition in procuring services is important to ensure that the government is getting the best product, at the best price, from the most qualified firms. Competition also promotes innovation and new ideas in solving environmental problems. EPA needs to ensure project officers are adequately monitoring recipients' procurements," the Assistant Inspector General said.

Other Activities

OIG Conference Stresses Importance of Helping Agency Improve

The need for the EPA OIG to help the Agency better protect the environment was urged by a number a speakers at the OIG National Training Conference held in December 2003 in Washington, D.C., including key EPA officials.

EPA Acting Deputy Administrator Stephen L. Johnson addressed the OIG staff (EPA OIG photo).

"You're helping the Agency chart a course for improvement – to do the right thing," EPA Acting Deputy Administrator Stephen L. Johnson told the conference attendees.

"We need to make sure we're delivering results, delivering the goods," Johnson said, pointing out the OIG needs to help the Agency do so better.

Johnson noted the OIG has already had "some impressive results" in improving Agency functions. "A number of you have really helped to set the stage as scouts, to help us focus," Johnson said, citing in particular the OIG's work in helping EPA improve its financial management systems.

The three-day conference featured a number of speakers from the OIG, the Agency, and other government organizations. David M. Walker, Comptroller General of the United States, emphasized during his presentation that the entire OIG community "needs to focus more on results rather than best efforts."

Walker told the EPA OIG attendees, "you're on the front lines of fighting fraud, waste, and mismanagement," and stressed they need to do their best to help government operate more effectively.

Further, Walker pointed out that due to a crisis in the public's confidence of the audit community's private sector following several recent scandals, "we have an opportunity in the public sector to be the Gold Standard," and therefore need to set a good example.

EPA Inspector General Nikki Tinsley (left) and U.S. Comptroller General David M. Walker at the OIG conference (EPA OIG photo).

Inspector General Nikki Tinsley, in her opening remarks, stressed that the OIG's mission is to "add value" as well as "inspire public confidence." She noted that the EPA OIG "is probably better placed than anyone else in the country to make sure EPA is doing its job," and the OIG needs to do its best to fulfill that role.

Inspector General Community Celebrates 25th Anniversary

October 12, 2003, marked the 25th Anniversary of the enactment of the Inspector General Act. On the occasion of the its Silver Anniversary, the Inspector General community marked its accomplishments by, among other things, meeting with the President of the United States.

President George W. Bush met with the Inspectors General on October 14, 2003, to honor and recognize their community. He commended the Inspectors General for their dedication to the mission of combating fraud, waste, and abuse, and making programs work better for the taxpayers. He also commended the community's vigilance to remain "agents of positive change."

Also, on October 8, 2003, the House Government Reform Subcommittee on Government Efficiency and Financial Management held a hearing to examine the progress of the Inspector General Act since it was passed, and expressed interest in discussing what legislative changes were needed to help the Inspector General community perform its mission.

President George W. Bush meets with the Executive Council on the 25th anniversary of the IG Act. From left, Johnnie Frazier, IG, Department of Commerce; Barry Snyder, IG, Federal Reserve Board; Ken Mead, IG, Department of Transportation; Gaston Gianni, IG, Federal Deposit Insurance Corporation; President Bush; Greg Friedman, IG, Department of Energy; Nikki Tinsley, IG, Environmental Protection Agency; Patrick McFarland, IG, Office of Personnel Management; and Clay Johnson, Deputy Director for Management, Office of Management and Budget.

On October 16, 2003, the President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency held its annual award ceremony. This ceremony was planned and coordinated by the EPA OIG, with EPA Inspector General Nikki Tinsley as the Mistress of Ceremonies for the second consecutive year.

Further, on December 1, 2003, President Bush signed S.J. Res. 18, a joint Congressional Resolution, commending the Inspectors General for their efforts to prevent and detect fraud, waste, abuse, and mismanagement, and to promote economy, efficiency, and effectiveness in the Federal Government during the past 25 years.

Inspector General Receives Leadership Award

EPA Inspector General Nikki Tinsley was presented with the Distinguished Federal Leadership Award from the Association of Government Accountants at the group's national leadership conference in February 2004.

Tinsley, a member of the Association's Northern Virginia Chapter, received the award in recognition of her "extraordinary vision, dedication and impact on governmental financial management and performance systems, and her personal leadership in advancing the profession and demonstrating the value of governmental auditing programs."

The Distinguished Federal Leadership Award was established "To formally recognize elected or Presidentially-appointed federal officials who exemplify and promote excellence in government management and have demonstrated outstanding leadership in enhancing sound financial management legislation, regulations, practices, policies and systems."

Tinsley was appointed as the EPA Inspector General in November 1998. She had joined EPA's Office of Inspector General in 1990, after working with the Department of the Interior's Mineral Management Service and the U.S. General Accounting Office.

Tinsley serves as a member of the President's Council on Integrity and Efficiency and chairs the Council's Human Resource Committee. She is also a member of the Advisory Council on Government Auditing Standards and the Comptroller General's Domestic Working Group.

Agency Reports on Actions in Federal Managers' Financial Integrity Act Report

In its recommended actions on EPA's management weakness for its fiscal 2003 Federal Managers' Financial Integrity Act report, Agency senior managers did not support an OIG recommendation to declare "Improved Management of Assistance Agreements" a material weakness.

While the Agency indicated further improvement is still needed to correct this current Agency-level weakness (which, unlike a material weakness, does not merit the attention of the President and Congress, and only required Agency attention), EPA indicated it has made significant progress in addressing the concerns raised by the OIG. Specifically, EPA has noted it has:

- Established the new long-term Grants Management Plan as the framework for ensuring that EPA grant programs meet the highest management and fiduciary standards and further the Agency's strategic goals.
- Enhanced training programs.
- Increased competitive grants awarded to non-profit organizations.
- Expanded post-award monitoring.
- Developed a new comprehensive approach to grants management reviews.
- Implemented measures to heighten accountability, such as the ongoing review of grants management performance standards.

The Agency has reported progress on other Agency-level weaknesses previously noted by the OIG, and recommended closure of these weaknesses. Specifically, EPA indicated it has sufficiently increased the pace of cleanups of properties subject to the Resource Conservation and Recovery Act. Further, by mid-2003, the Agency reported it had completed all corrective actions related to Results-Based Information Technology Investment Planning. In addition, the Agency has indicated it has completed corrective actions to develop and implement security tools and processes that mitigate risks to EPA's data and systems.

In addition to carrying over 10 existing Agency weaknesses, EPA agreed to add an additional weakness at the suggestion of the OIG, involving assuring implementation of the Agency Information Security Program. To address this new weakness, the Agency plans to establish and validate a robust quality assurance program, a security training program for those with significant security responsibilities, a process to ensure that the Agency's information security plan is practiced throughout the life cycle of information systems, and a policy and management framework to support development and testing of up-to-date contingency plans for Agency information systems.

While the Agency reported taking corrective actions related to Results-Based Information Technology Investment Planning, we are concerned that all actions have not been completed. In particular, we suggest that the Agency complete actions to implement monitoring and evaluation phases in its Capital Planning Investment Control process. These phases expand on how Information Technology investments, once initiated, will be controlled to achieve intended cost, schedule, and performance outcomes, and how EPA will evaluate performance to maintain a positive return on investment. EPA states that it is acquiring additional resources and extramural contract support to help implement best practices for these two essential investment control phases. Further, EPA is still developing procedural guides to provide a framework to manage the Information Technology portfolio in a more effective manner. Because these actions are not complete, we believe EPA should add an Agency-level weakness in fiscal 2004.

OIG New Strategic Plan Revises Goals, Defines New Directions

The OIG revised and, in February 2004, issued a new Strategic Plan, applicable for fiscal years 2004-2008. This plan sets a new direction, featuring three goals instead of the previous four, and updates OIG's values and presents broad new strategies.

The Strategic Plans's three new goals are:

1. **Contribute to Improved Human Health and the Environment.**
2. **Contribute to Improved Agency Business Practices and Accountability.**
3. **Continuously Improve OIG Products and Services.**

The Plan is built on a Logic Model concept, "starting with the end in mind," to fulfill the requirements of the Inspector General Act and EPA's goals, based on several cross-cutting themes:

- Change is a way of life;
- Emphasize Environmental Conditions, Risks, Opportunities and Impacts;
- Link Performance Planning and Measures with Costs and Benefits;
- Collaborate Across Media and Government Entities; and
- Apply a Systems Approach to Ask the Right Questions.

This Plan was formulated using an innovative technique based on research and input from OIG staff and leadership, EPA leadership, the Office of Management and Budget, Congressional staff, State Agencies, key EPA stakeholders, the U.S. General Accounting Office, and key associations. Responses to key questions were electronically categorized by topic and characterization to synthesize priorities and common themes, to help identify new opportunities. The Strategic Plan link is:
http://www.epa.gov/oig/reports/2004/20040201-EPA-350-R-001.pdf

Annual Performance Report Highlights Return on Investment

The OIG issued its Annual Performance Report for fiscal 2003, the third of it kind, presenting actual results compared to our fiscal 2003 annual performance targets, as well as cumulative progress compared to our Strategic Goals from fiscal 2001 through 2003.

The report demonstrates how a linked series of measures within each goal roll up to support the OIG Vital Few Measures and Results reported to the Office of Management and Budget and Congress through the EPA Annual Performance Report. This OIG report features a Balanced Scorecard of outputs, intermediate outcomes, and impact outcomes for each of the OIG goals. It also presents related performance results from measures of customer value, partner/collaborative efforts, staffing, development, diversity, timeliness of work products, innovation and use of technology, operational activity, and application of financial resources.

In addition to the quantitative measures and results, this report provides qualitative examples of significant actions, outputs, and actions that, together, combine to demonstrate the total value added by the OIG, and provide accountability for the return on investment of OIG resources.

Also, for the first time, the OIG has prepared an Executive Summary version of the Annual Performance Report to present graphical and narrative summary highlights of the OIG's fiscal 2003 performance results. Both the Annual Performance Report and the Executive Summary are at OIG's web site.

PCIE GPRA Roundtable Leads OIG Community Through Performance Issues

The President's Council on Integrity and Efficiency (PCIE) Government Performance and Results Act (GPRA) Roundtable, chaired and coordinated by the EPA OIG, has presented a series of events demonstrating best practices in planning, measurement, and accountability.

At the GPRA Roundtable on "OIG Involvement in the Program Assessment Rating Tool (PART)," the Office of Management and Budget announced that while OIGs themselves would not be subject to PART reviews, it is relying on the OIG community to assist in PART assessments of their respective agencies, and requested that OIGs help define that role. The instructions for the fiscal 2006 budget PART assessment now specifically include references to OIG independent evaluations.

During the reporting period, other GPRA Roundtable events covered such topics as designing, deploying, and using customer surveys for planning, measurement, and performance improvement; and implementing cost accounting in OIGs. A measures fair was also held. Minutes from PCIE GPRA Roundtable events are available at www.IGnet.gov.

The GPRA Roundtable was highlighted in the PCIE Progress to the President for Fiscal 2003 as a major achievement in the effort to improve Federal programs and operations, and in promoting budget and performance integration.

Legislation and Regulations Reviewed

Section 4 (a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the program and operation of EPA and to make recommendations concerning their impact. The primary basis for our comments are the audit, evaluation, investigation, and legislative experiences of the OIG, as well as our participation on the President's Council on Integrity and Efficiency.

During the reporting period, we reviewed 28 proposed changes to legislation, regulations, policy, and procedures that could affect EPA. We also reviewed drafts of

EPA's strategic plan, program operations manual, directives, and reorganizations. Details on several items follow.

Proposed Revision to EPA Order 5700.6, Policy on Compliance Review and Monitoring: We commented on our concerns that the EPA Order does not specifically reference the guidance for grants management self assessment, and that the frequency of self assessments was changed from 2 to 3 years. With a 3-year cycle, it is important that there is followup to ensure that corrective actions are taken. The Grants Management Division needs to update its review guidance and establish tracking and followup procedures on issues previously identified. EPA agreed to make changes regarding our concerns.

General Accounting Office's Draft Strategic Plan: We commented that, overall, this Draft Strategic Plan significantly improved on the prior plan. Our suggestions for improvements included: emphasizing partnering opportunities with Federal Office of Inspectors General to share knowledge and work on common objectives; acknowledging the expanding role of States, tribes, local governments, and third parties; streamlining the Plan by including an Executive Summary of the External Factors and Consultations; and adding annual performance targets.

Proposed Revision to EPA Delegation 1-6-A, Security; and a New EPA Order, National Security Information: We commented that the EPA Office of Administration and Resources Management should have the overall responsibility for the National Security Information program. However, as an independent entity, OIG should be delegated authority to operate its own such program. We also expressed concern that EPA's Chief Information Officer appears to have been excluded from having any responsibility for contributing to policy and maintaining a program for classified national security information.

Proposed Long-Term Grants Management Training Plan: We believe this Plan is a foundation of EPA's sincere effort to turn a long-time Management Challenge into a strength. As such, the Office of Grants and Debarment should consider this plan a "work in progress" that will need to be re-evaluated and revised with experience. We made several suggestions for improvement: all goals should be incrementally phased by fiscal year (some only had a 100-percent target); the outcome/impact measures of the training should be linked to improved outcome performance measures built into agreements; and grantee "compliance" should not be used as a valid performance measure of the training since it is not closely related to training quality.

Statistical Data

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending March 31, 2004

Report Category	No. of Reports	Report Issuance ($ in Thousands)		Report Resolution Costs Sustained ($ in Thousands)	
		Questioned Costs	Recommended Efficiencies	To Be Recovered	As Efficiencies
A. For which no management decision was made by October 1, 2003**	98	$51,717	$3,627		
B. Which were issued during the reporting period	177	$8,120	$0		
C. Which were issued during the reporting period that required no resolution	117	$0	$0		
Subtotals (A + B - C)	158	$59,837	$3,627		
D. For which a management decision was made during the reporting period	51	$2,841	$29	$1,086	
E. For which no management decision was made by March 31, 2004	107	$56,966	$3,598		
F. Reports for which no management decision was made within 6 months of issuance	56	$45,688	$3,598		

** Any difference in number of reports and amounts of questioned costs or recommended efficiencies between this report and our previous semiannual report results from corrections made to data in our audit tracking system.

Status of Management Decisions on Inspector General Reports

This section presents statistical information as required by the Inspector General Act Amendments of 1988 on the status of EPA management decisions on reports issued by the OIG involving monetary recommendations. As presented, information contained in Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by this office. Many of the reports were prepared by other Federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to support the allowability of such costs subsequent to report issuance. We expect that a high proportion of unsupported costs may not be sustained.

Table 1 - Inspector General Issued Reports With Questioned Costs for Semiannual Period Ending March 31, 2004 (Dollar Value in Thousands)

Report Category	Number of Reports	Questioned Costs*	Unsupported Costs
A. For which no management decision was made by October 1, 2003**	53	$51,717	$10,726
B. New reports issued during period	19	$8,120	$0
Subtotal (A+B)	72	$59,837	$10,726
C. For which a management decision was made during the reporting period	22	$2,841	$153
(i) Dollar value of disallowed costs	13	$1,086	$42
(ii) Dollar value of costs not disallowed	9	$1,755	$111
D. For which no management decision was made by March 31, 2004	50	$56,996	$10,573
Reports for which no management decision was made within 6 months of issuance	34	$45,688	$10,573

* Questioned costs include the unsupported costs.
** Any difference in number of reports and amounts of questioned costs between this report and previous semiannual report results from corrections made to data in our audit tracking system.

Table 2 - Inspector General Issued Reports With Recommendations That Funds Be Put to Better Use for Semiannual Period Ending March 31, 2004 (Dollar Value in Thousands)

Report Category	Number of Reports	Dollar Value
A. For which no management decision was made by October 1, 2003**	7	$3,627
B. Which were issued during the reporting period	0	$0
Subtotal (A+B)	7	$3,627
C. For which a management decision was made during the reporting period	1	$29
(i) Dollar value of recommendations from reports that were agreed to by management	0	$0
(ii) Dollar value of recommendations from reports that were not agreed to by management	1	$29
(iii) Dollar value of non-awards or unsuccessful bidders	0	$0
D. For which no management decision was made by March 31, 2004	6	$3,598
Reports for which no management decision was made within 6 months of issuance	6	$3,598

** Any difference in number of reports and amounts of questioned costs between this report and previous semiannual report results from corrections made to data in our audit tracking system.

Audits With No Final Action as of March 31, 2004, That Are Over 365 Days Past OIG Report Issuance Date

Audits	Total	Percentage
Programs	23	18.5%
Assistance Agreements	50	40.3%
Contract Audits	24	19.3%
Single Audits	25	20.2%
Financial Statement Audits	2	1.7%
Total	**124**	**100.0%**

Summary of Investigative Results

Summary of Investigative Activity During Period	
Cases open as of September 30, 2003	183
Cases opened during period	58
Cases closed during period	75
Cases pending as of March 31, 2004	166

Investigations Pending by Type as of March 31, 2004

	Superfund	Management	Total
Contract	14	23	37
Assistance Agreement	3	28	31
Employee Integrity	3	19	22
Program Integrity	3	16	19
Computer Crime	0	17	17
Lab Fraud	14	16	30
Other	2	8	10
Total	**39**	**127**	**166**

Results of Prosecutive Actions	
Indictments / Criminal Informations / Complaints	8
Convictions	26
Civil Filings / Settlements	3
Fines and Recoveries	$1,018,546

Personnel and Administrative Actions	
Termination	1
Restitutions	2
Resignations	3
Suspension and Debarments	5
Other	10
Total	21
Cost Savings	$309,355

Scoreboard of Results: At Mid-Year (March 31, 2004) Compared to Fiscal 2004 Annual Performance Goal Targets

All results are of those reported, and do not include all followup actions of previous periods - unaudited

Strategic Goal; With Fiscal 2004 Performance Targets Compared to Results Reported	Supporting Measures
Goal 1. Contribute to Improved Human Health and Environmental Quality	
Influence environmental improvements/ actions/ changes ***Target: 42; Reported: 17*** (40%)	0 Legislative changes/decisions 0 Regulatory changes/decisions 17 EPA policy, process, practices change 0 Examples of environmental improvement 0 Best environmental practice implemented
Reduce or eliminate environmental or infrastructure risks and challenges ***Target: 18; Reported: 5*** (28%)	4 Environmental risks reduced/eliminated 1 Certifications/validations/verifications
Environmental recommendations, best practices, risks identified ***Target: 80; Reported: 22*** (28%)	6 Environmental recommendations 0 Environmental best practices identified 16 Environmental risks identified
Goal 2. Improve EPA's Management, Accountability, and Program Operations	
Return on investment: Potential dollar return as percentage of OIG budget ($48 million) ***Target: 150%; Reported: $9.2 million;*** (13%)	*Dollars in Millions* $ 8.1 Questioned costs $ 0.1 Recommended efficiencies, costs saved $ 1.0 Fines, recoveries, settlements
Improve operational integrity: Criminal, civil, and administrative actions reducing risk of loss/ operational integrity ***Target: 80; Reported: 60*** (75%)	26 Criminal convictions 9 Indictments/informations/complaints/arrests 3 Civil judgments/settlements 22 Administrative actions
Improvements in business/systems/efficiency and resolve public concerns/management challenges ***Target: 100; Reported: 38*** (38%)	18 Policy process, practice, control changes 1 Corrective action on FMFIA/mgt. challenge 6 Best practices implemented 13 Certifications/validations/verifications/ allegations disproved
Recommendations, best practices, challenges identified for operational improvements ***Target: 240; Reported: 103*** (43%)	95 Recommendations 6 Best practices identified 0 FMFIA/management challenges identified 2 Referrals for OIG or Agency action

Appendix 1 – Reports Issued

THE INSPECTOR GENERAL ACT REQUIRES A LISTING, SUBDIVIDED ACCORDING TO SUBJECT MATTER, OF EACH REPORT ISSUED BY THE OFFICE DURING THE REPORTING PERIOD AND FOR EACH REPORT, WHERE APPLICABLE, THE DOLLAR VALUE OF QUESTIONED COSTS AND THE DOLLAR VALUE OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE.

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2004-P-00001	Boxer/Dingell Congressional Request - 2003	07-JAN-04				
2004-P-00002	Project XL Asbestos/Demolition	19-DEC-03				
2004-P-00003	Superfund Issues in Indian Country	20-JAN-04				
2004-P-00004	EPA's Pretreatment Program	02-FEB-04				
2004-P-00005	Mega Financial Responsibilities at Superfund Mine Sites	04-FEB-04				
2004-P-00006	Idaho National Eng. & Env. Lab Petition Special Review	05-FEB-04				$0
2004-P-00007	Emissions Credit Trading and Environmental Justice	01-MAR-04				
2004-P-00008	Review of SDWIS GPRA Measure	05-MAR-04				
2004-P-00009	Coeur d'Alene/Bunker Hill Ombudsman Audit	22-MAR-04				
2004-P-00010	Hotline Complaint - Basin Cleanup Coalition	25-MAR-04				
2004-P-00011	EPA Equipment Purchases for Counter Terrorism Preparedness	29-MAR-04				
2004-P-00012	Evaluation of Air Toxics Emissions for GPRA Reporting	31-MAR-04				
2004-P-00013	EPA's Implementation of Network Firewalls	31-MAR-04				
2004-P-00014	Review of Hotline Allegation (OUST)	31-MAR-04				
TOTAL PERFORMANCE REPORTS = 14			**$0**	**$0**	**$0**	**$0**
2004-4-00014	Consumer Federation of America Foundation-Costs Claimed	01-MAR-04	$4,714,638	$0	$0	
2004-4-00015	New Mexico Environment Department SF Cooperative Agreement	31-MAR-04	$11,588			
TOTAL ASSISTANCE AGREEMENT REPORTS = 2			**$4,726,226**	**$0**	**$0**	**$0**
2004-3-00001	Thlopthlocco Tribal Town	27-OCT-03	$47,217			
2004-3-00002	South Carolina, State of	27-OCT-03				
2004-3-00003	Delaware, State of	27-OCT-03	$350,244			
2004-3-00004	Pyramid Lake Paiute Tribe	28-OCT-03	$521,591			
2004-3-00005	Alliance for the Chesapeake Bay, Inc.	28-OCT-03				
2004-3-00006	St. George Traditional council	31-OCT-03				
2004-3-00007	Blackfoot, City of	31-OCT-03	$332,461			
2004-3-00008	Middletown Rancheria	31-OCT-03				
2004-3-00009	Hampshire College	31-OCT-03				
2004-3-00010	Combes, City of	31-OCT-03				
2004-3-00011	Northway Village Council	31-OCT-03	$69,393			
2004-3-00012	Ute Indian Tribe	19-NOV-03				
2004-3-00013	NATIVE vILLAGE OF MEKORYUK IRA COUNCIL	19-NOV-03				
2004-3-00014	Chitina Traditional Indian Village Council	20-NOV-03				
2004-3-00015	Chitina Traditional Indian Village Council	20-NOV-03				
2004-3-00016	Montgomery County Combined Health District	12-DEC-03				
2004-3-00017	Leech Lake Band of Ojibwe	18-DEC-03				
2004-3-00018	LEECH LAKE BAND OF OBJIBWE - 2001	18-DEC-03				
2004-3-00019	Chickaloon, Native Village	31-DEC-03				
2004-3-00020	Shoemakersville, Borough of	31-DEC-03				
2004-3-00021	National Senior Citizen Edu. & Research	31-DEC-03				
2004-3-00022	Colorado, State of	31-DEC-03				
2004-3-00023	California, State of	15-JAN-04				
2004-3-00024	Commonwealth of the Northern Mariana Islands	21-JAN-04				
2004-3-00025	Sssociation of State & Interstate Water Pol. Cont. Adim.	21-JAN-04	$77,566			
2004-3-00026	National Asian Pacific Center on Aging	03-FEB-04				
2004-3-00027	National Asian Pacific Center on Aging	03-FEB-04	$151,942			
2004-3-00028	Pennsylvania, Commonwealth of	29-JAN-04				
2004-3-00029	New Mexico Environment Department, State of	29-JAN-04				
2004-3-00030	Calumet, Charter Township of	29-JAN-04				
2004-3-00031	Southeastern States Air Resource Managers Inc	29-JAN-04				
2004-3-00032	Association of Metropolitan Sewerage Agency	29-JAN-04				
2004-3-00033	Jasper, County of	29-JAN-04				
2004-3-00034	Howard University	29-JAN-04				

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
2004-3-00035	New Jersey, State of	30-JAN-04				
2004-3-00037	Michigan-Department of Agriculture, State of	30-JAN-04				
2004-3-00038	Alaska, State of	03-FEB-04				
2004-3-00039	Chautauqua, County of	06-FEB-04				
2004-3-00040	Austin, City of	06-FEB-04				
2004-3-00041	Hawaii Department of Health, State of	09-FEB-04				
2004-3-00042	Vermont, State of	09-FEB-04	$56,643	$0	$0	
2004-3-00043	Pennsylvania, University of	09-FEB-04				
2004-3-00044	delaware River Basin Commission	12-FEB-04				
2004-3-00045	Alaska Inter-Tribal Council	12-FEB-04				
2004-3-00046	The Pacific American Foundation	12-FEB-04				
2004-3-00047	Association of Farmworker Opportunity Program	12-FEB-04				
2004-3-00048	Alabama, University of	19-FEB-04				
2004-3-00049	Otoe-Missours Tribe of Indians	19-FEB-04				
2004-3-00050	National Alliance for Hispanic Health	19-FEB-04				
2004-3-00051	Sherwood Valley Band of Pomo Indians	19-FEB-04				
2004-3-00052	Yukon River Inter-Tribal Watershed Council	19-FEB-04				
2004-3-00053	Cuyapaipe Band of Mission Indians	19-FEB-04				
2004-3-00059	United States Virgin Islands, Government of	27-FEB-04				
2004-3-00060	United States Virgin Islands, Government of	27-FEB-04				
2004-3-00061	United States Virgin Islands, Government of	27-FEB-04				
2004-3-00062	Illinois, State of	03-MAR-04	$951,659	$0	$0	
2004-3-00063	Inter-Tribal Council of Michigan, Inc.	04-MAR-04				
2004-3-00064	Vermont State Colleges	04-MAR-04				
2004-3-00065	Blackfeet Tribe of the Blackfeet Indian Reservation	04-MAR-04				
2004-3-00066	Lovelock, City of	04-MAR-04				
2004-3-00067	Lovelock, City of	04-MAR-04				
2004-3-00068	Academy of Natural Science of Philadelphia	04-MAR-04				
2004-3-00069	Tyrone, Borough of	04-MAR-04				
2004-3-00070	West Virginia, State of	11-MAR-04	$347,518			
2004-3-00071	West Virginia, State of	11-MAR-04				
2004-3-00072	Florida, State of	16-MAR-04	$4,806	$0	$0	
2004-3-00073	Florida, State of	16-MAR-04	$36,413	$0		
2004-3-00074	New Mexico - Department of Health, State of	18-MAR-04				
2004-3-00075	New Mexico - Department of Health, State of	18-MAR-04				
2004-3-00076	Puerto Rico - Department of Health, Commonwealth of	23-MAR-04				
2004-3-00077	Clark Atlanta University	24-MAR-04				
	TOTAL SINGLE AUDIT REPORTS = 72		**$2,962,753**	$0	0	0
	TOTAL OIG ISSUED CONTRACT REPORTS = 0		**$0**	0	0	0
2004-1-00001	OMNIPLEX World Services Corp.-FY1999 Incurred Cost	01-OCT-03				
2004-1-00002	Acurex Environmental c/o Arcadis Geragh-FY2000 Incurred Cost	01-OCT-03				
2004-1-00003	CET Environmental Services Inc.-FY2001 Incurred Cost	01-OCT-03				
2004-1-00004	Tetra Tech EMI-FY2002 Labor Internal Control	10-OCT-03				
2004-1-00005	Northbridge Envtl Mgmt Consultant-FY2001 Incurred Cost	30-OCT-03	$3,985			
2004-1-00006	Foster Wheeler Envtl. Corp.-FY2003 Accounting System	16-OCT-03				
2004-1-00007	TAMS Consultants, Inc.-FY 1999 Incurred Cost	20-OCT-03				
2004-1-00008	DynCorp Inc.-FY2001 Incurred Cost	20-OCT-03				
2004-1-00009	FEV Engine Technology-FY2002 Incurred Cost	03-NOV-03				
2004-1-00010	Welso Federal Services LLC-FY2002 Incurred Cost	03-NOV-03				
2004-1-00011	Malcolm Pirnie, Inc.-FY 1998 Incurred Cost	03-NOV-03				
2004-1-00012	ManTech Environmental Tech, Inc. (METI)-FY2001 Incurred Cost	03-NOV-03				
2004-1-00013	Black & Veatch Special Projects Corp.-FY2000 Incurred Cost	06-NOV-03				
2004-1-00014	Stratus Consulting Inc-FY2000 Incurred Cost	06-NOV-03				
2004-1-00015	Parsons Engineering Science-FYs 2000-2001 Incurred Cost	07-NOV-03				
2004-1-00016	WRS Infrastructure & Environmental Inc-FY2001 Incurred Cost	07-NOV-03				
2004-1-00017	Omni-Cube(OMNIPLEX World Services Corp)-FY2001 Incurred Cost	07-NOV-03				
2004-1-00018	Tetra Tech EM,Inc.-CAS 410-Alloc of Bus Unit	10-NOV-03				

Report Number	Title	Final Report Issued	Questioned Costs			Recommended Efficiencies (Funds Be Put To Better Use)
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
2004-1-00019	Eastern Research Group-FY2001 Incurred Cost	10-NOV-03				
2004-1-00020	Acurex Environmental c/o Arcadis, Gerap-FY2001 Incurred Cost	10-NOV-03				
2004-1-00022	Computer Based Systems-FY2000 Incurred Cost	24-NOV-03	$3,958			
2004-1-00023	Tetra Tech EMI, Inc.-FY2002 Estimating System Internal Contr	24-NOV-03				
2004-1-00024	SAIC-Closeout #68-D4-0098	17-DEC-03				
2004-1-00025	Industrial Economics Inc-FY2003 System Review	17-DEC-03				
2004-1-00026	Resource Management Concepts, Inc.-FY2001 Incurred Cost	17-DEC-03				
2004-1-00027	RS Information Systems, Inc.-FY2001 Incurred Cost	17-DEC-03				
2004-1-00028	Tetra Tech EM, Inc. (TTEMI)- FY2001 Incurred Cost	29-DEC-03				
2004-1-00029	URS Group, Inc.-FY 2003 Billing Practices on EPA 68-W-98-228	31-DEC-03				
2004-1-00030	Black & Veatch Spec Proj Corp (BVSPC)-FY 2000 68-W9-9043	31-DEC-03	$8,781			
2004-1-00031	Consol. Safety Services, Inc.-FY 2002 I/C (Included FYs 00-01	31-DEC-03				
2004-1-00032	Environmental Quality Management (EQM)-FY2000 Incurred Cost	31-DEC-03				
2004-1-00033	SoBran, Inc. - CFY2002 Incurred Cost (FYE 9/30/02)	06-JAN-04				
2004-1-00034	SAIC-Closeout 68-D3-0030	16-JAN-04				
2004-1-00035	Environmental Health & Engineering-FY2000 Incurred Cost	21-JAN-04				
2004-1-00036	Great Lakes Environmental-FY2002 Incurred Cost	30-JAN-04				
2004-1-00037	IT Group-FY2002 Incurred Cost	02-FEB-04				
2004-1-00038	SECTEK, Inc.--FY 2000 Incurred Cost	09-FEB-04				
2004-1-00039	WRS Infrastructure & Environ., Inc. - FYE 12/31/2000 I/C	09-FEB-04				
2004-1-00040	ESE (Harding ESE, Inc.)- FYE 10/31/2001 Incurred Cost	25-FEB-04				
2004-1-00041	Metcalf & Eddy Inc-FYE 9/30/2001 Incurred Cost	02-MAR-04				
2004-1-00042	Weston Solutions, Inc. - Preaward PR-CI-03-10 595	02-MAR-04				
2004-1-00043	Lockheed Martin Svc.- Preaward REAC PR-CI-03- 10595	03-MAR-04	$414,160			
2004-1-00044	Environmental Management Support (EMS)-CY2001 Incurred Cost	03-MAR-04				
2004-1-00045	Environmental Quality Management (EQM- FY2001 Incurred Cost	04-MAR-04				
2004-1-00046	DPRA, Inc. - FYE 3/31/2003 Incurred Cost	08-MAR-04				
2004-1-00047	Perrin Quarles Associates, Inc.- FYE 12/31/02 Incurred Cost	18-MAR-04				
2004-1-00048	Metcalf & Eddy Inc.- FYE 2001 RAC 68-W6-0042	18-MAR-04				
2004-2-00001	Alpha-Gamma Technologies Inc.-FY1998 Incurred Cost	01-OCT-03				
2004-2-00002	Alpah-Gamma Technologies Inc.-FY1999 Incurred Cost	01-OCT-03				
2004-2-00003	Malcolm Pirnie, Inc.-FY1999 Incurred Cost	01-OCT-03				
2004-2-00004	Lockheed Martin Services, Inc.-CAS 401 & 402	30-OCT-03				
2004-2-00005	FEV Engine Tech - FY2003 Material Purch/ Consumptio (MAAR 13)	03-NOV-03				
2004-2-00006	FEV Engine Technology - FY 2003 Floorcheck (MAAR 6)	03-NOV-03				
2004-2-00007	ManTech Environmental Tech Inc.(METI) - CACS 68-D5-0057	03-NOV-03				
2004-2-00008	Metcalf & Eddy Inc.-Floorcheck	04-NOV-03				
2004-2-00009	CH2M Hill Inc.-FYs 2000-2001 Annual RAC Close-out 68-W9-8225	05-NOV-03				
2004-2-00010	Arrowhead Contracting Inc.-Financial Cap. Risk Assessment	06-NOV-03				
2004-2-00011	Stratus Consulting, Inc-FY2001 Incurred Cost	06-NOV-03				
2004-2-00012	Integrated Laboratory Systems-FY2003 Floorcheck (MAAR 6)	10-NOV-03				
2004-2-00013	CH2M Hill Inc.-FY1996 through 2000 RAC 68-W6-036	10-NOV-03				
2004-2-00014	Tetra Tech, Inc.-Quick Closeout CACS 68-W8-00-92 FYs1988-2000	21-NOV-03				
2004-2-00015	Foster Wheeler Environmental Corp.-FY2001 RAC 68-W9-8214	26-NOV-03				
2004-2-00016	Kerr & Associates, Inc-FY1994-1998 Assist Audit I/C Subcontr	18-DEC-03				
2004-2-00017	Tetra Tech NUS, Inc.-FYs 1996-1998 RAC Close-out 68-S6-3003	18-DEC-03				

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
2004-2-00019	Weston Solutions, Inc. -DACA45-98-D-0004 Delivery Order #1	03-MAR-04				
2004-2-00020	Tetra Tech EM, Inc. (EMI)- Preaward PR-CI-03-10595	03-MAR-04				
2004-2-00021	URS Operating Svcs & URS Group, Inc.-Preaward PR-CI-03-10595	03-MAR-04				
2004-2-00022	Tetra Tech, Inc. A&E Div (TTI Div)-Floorcheck thru 3/2003	04-MAR-04				
2004-2-00023	Versar, Inc.-CACS 68-01-7053 & Follow-up Audit complet 2/2004	08-MAR-04				
2004-2-00024	Tetra Tech Inc./B&V SPC Joint Venture-FY2000 RAC 68-S7-3002	16-MAR-04				
2004-2-00025	Universe Technologies, Inc.-FYE 12/31/2001 Incurred Cost	16-MAR-04				
2004-2-00026	Ricardo, Inc. - CFY 2003 Incurred Cost (6/30/03)	16-MAR-04				
2004-2-00027	Marasco Newton Group Ltd.- FYE 12/31/2001 Incurred Cost	18-MAR-04				
2004-2-00028	GE Energy & Environmental Research Corp.- FY2001 I/C Review	18-MAR-04				
2004-4-00001	Sierra Research Inc.-FY 2002 Incurred Cost	17-DEC-03				
2004-4-00002	Scientific Consulting Group, Inc.-FYFY2003 Floorcheck	18-DEC-03				
2004-4-00003	Eastern Research Group- FY 2003 Floorcheck	31-DEC-03				
2004-4-00004	Environmental Quality Management-FY2003 Time/ Floorcheck	31-DEC-03				
2004-4-00005	Bionetics Corporation - FY2002 Incurred Cost	06-JAN-04				
2004-4-00006	Limno-Tech, Inc.-FY 2003 Incurred Cost	06-JAN-04				
2004-4-00007	Clean Air Vehicle Tech Center- CFY 2002 Incurred Cost(FYE3/31/02)	06-JAN-04				
2004-4-00008	Clean Air Vehicle Technology Center - FY 2003 Incurred Cost	06-JAN-04				
2004-4-00009	CH2M Hill, Inc.-FY 2004 CAS D/S Revision 11a, effective 1/1/04	07-JAN-04				
2004-4-00010	DPRA, Inc.- Financial Capability Assessment as of 9/30/2004	07-JAN-04				
2004-4-00011	Eastern Research Group- CAS 412/413 Compliance FYE 12/31/02	07-JAN-04				
2004-4-00012	Automotive Testing Laboratories Inc.-FY2002 Incurred Cost	13-JAN-04				
2004-4-00013	SECTEK, Inc.--FY 2001 Incurred Cost	09-FEB-04				
	TOTAL DCCA CONTRACT REPORTS = 87		**$430,884**	**$0**	**$0**	**$0**
2004-1-00021	FY 2003 Agency F/S Preparation & Reporting (sub)	21-NOV-03				
	TOTAL FINANCIAL STATEMENT REPORTS = 1		**$0**	**$0**	**$0**	**$0**
2004-S-00001	ENFORCEMENT RESOURCES AND ACCOMPLISHMENTS	10-OCT-03				
	TOTAL SPECIAL REVIEW REPORTS = 1		**$0**	**$0**	**$0**	**$0**
	TOTAL REPORTS ISSUED = 177		**$8,119,863**	**$0**	**$0**	**$0**

OIG Mailing Addresses and Telephone Numbers

Headquarters
Environmental Protection Agency
Office of Inspector General
1200 Pennsylvania Ave. NW (2410T)
Washington, DC 20460
(202) 566-0846

Atlanta
Environmental Protection Agency
Office of Inspector General
61 Forsyth Street, SW
Atlanta, GA 30303
Audit: (404) 562-9830
Investigations: (404) 562-9857

Boston
Environmental Protection Agency
Office of Inspector General
One Congress St.
Suite 1100 (Mailcode)
Boston, MA 02114-2023
Audit: (617) 918-1470
Investigations:(617) 918-1481

Chicago
Environmental Protection Agency
Office of Inspector General
77 West Jackson Boulevard
13th Floor (IA-13J)
Chicago, IL 60604
Audit: (312) 353-2486
Investigations: (312) 353-2507

Cincinnati
Environmental Protection Agency
Office of Inspector General
MS : Norwood
Cincinnati, OH 45268-7001
Audit: (513) 487-2360
Investigations: (312) 353-2507 (Chi.)

Dallas
Environmental Protection Agency
Office of Inspector General (6OIG)
1445 Ross Avenue, Suite 1200
Dallas, TX 75202-2733
Audit: (214) 665-6621
Investigations: (214) 665-2790

Denver
Environmental Protection Agency
Office of Inspector General
999 18th Street, Suite 300
Denver, CO 80202-2405
Audit: (303) 312-6872
Investigations: (303) 312-6868

Kansas City
Environmental Protection Agency
Office of Inspector General
901 N. 5th Street
Kansas City, KS 66101
Audit: (913) 551-7878
Investigations: (312) 353-2507 (Chi.)

Los Angeles
Environmental Protection Agency
Office of Inspector General
P.O. Box 826
La Miranda, CA 90627-0826
Investigations: (714) 521-2189

New York
Environmental Protection Agency
Office of Inspector General
290 Broadway, Room 1520
New York, NY 10007
Audit: (212) 637-3080
Investigations: (212) 637-3041

Philadelphia
Environmental Protection Agency
Office of Inspector General
1650 Arch Street, 3rd Floor
Philadelphia, PA 19103-2029
Audit: (215) 814-5800
Investigations: (215) 814-5820

Research Triangle Park
Environmental Protection Agency
Office of Inspector General
Mail Drop N283-01
Research Triangle Park, NC 27711
Audit: (919) 541-2204
Investigations: (919) 541-0517

Sacramento
Environmental Protection Agency
Office of Inspector General
801 I Street, Room 264
Sacramento, CA 95814
Audit: (916) 498-6530
Investigations: (415) 947-8711 (SF)

San Francisco
Environmental Protection Agency
Office of Inspector General
75 Hawthorne St. (IGA-1)
7th Floor
San Francisco, CA 94105
Audit: (415) 947-4521
Investigations: (415) 947-8711

Seattle
Environmental Protection Agency
Office of Inspector General
1200 6th Avenue, 19th Floor
Suite 1920, M/S OIG-195
Seattle, WA 98101
Audit: (206) 553-4033
Investigations: (206) 553-1273

OIG Public Liaison Hotline:
1-888-546-8740 or (202) 566-2476