



# At a Glance

## Why We Did This Review

In 2005, Congress passed the Energy Policy Act, of which Title VII, Subtitle G, established a program commonly referred to as the Diesel Emissions Reduction Act (DERA) program. As part of our oversight of the U.S. Environmental Protection Agency's (EPA's) awarding of assistance agreements under the American Recovery and Reinvestment Act of 2009, we issued six separate reports on specific cooperative agreements involving the DERA program. The purpose of this new report is to summarize the findings in the previous reports and identify commonalities or overarching issues.

EPA awarded \$294 million in Recovery Act funds under the DERA program for 160 assistance agreements. The reported results are from our six previous reports, representing approximately \$26 million in federal expenditures.

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

- *Addressing climate change and improving air quality.*

Send all inquiries to our public affairs office at (202) 566-2391 or visit [www.epa.gov/oig](http://www.epa.gov/oig).

The full report is at: [www.epa.gov/oig/reports/2014/20140915-14-R-0355.pdf](http://www.epa.gov/oig/reports/2014/20140915-14-R-0355.pdf)

## ***Audits on EPA Recovery Act-Funded Diesel Emission Reduction Act Assistance Agreements Reported Programmatic and Management Challenges***

### **What We Found**

During the six previous audits on Recovery Act cooperative agreements awarded for DERA projects, we determined that:

- Four of the six recipients did not meet all objectives of grant awards.
- Five of the six recipients did not have financial management systems that met federal requirements.
- Four of the six recipients did not meet Recovery Act requirements.

**EPA should consider the issues identified in our prior reports as it takes actions directed by the Office of Management and Budget to assess risk inherent in its programs.**

As a result, we had questioned over 90 percent of the expenditures reviewed.

As part of the Office of Management and Budget's streamlining of federal assistance agreement requirements, emphasis has now been placed on agencies to assess recipient risk, and to focus on performance outcomes. The EPA should consider the issues identified as it takes such streamlining actions.

The six previous audits included recommendations for corrective actions. No new recommendations are included because the limited sample size of previous Office of Inspector General reports may not be representative of the entire population of EPA DERA awards. Examples of actions the EPA took to address issues identified in the prior audit reports include the following:

- In response to a recipient not requiring a subrecipient to scrap or remanufacture old engines taken from repowered locomotives in accordance with the cooperative agreement, action was taken to do so.
- The EPA was able to provide confirmation that every vehicle reported as retrofitted by a recipient under its cooperative agreement was completed.
- A recipient was not operating repowered locomotives in the area defined in the cooperative agreement, and the cooperative agreement was amended to have the grantee deliver environmental and health benefits to the required area.

The EPA's Office of Air and Radiation also made changes to DERA oversight to reduce risk in the future, including revised methodologies for emissions reporting, yearly project officer and grantee training, creation of technical guidance related to DERA-specific assistance agreement management, and continued baseline and advanced monitoring on the DERA program.