



OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

October 1, 2013–March 31, 2014



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May 2014

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Inspector General Act of 1978, as amended

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Abbreviations

CIA	Central Intelligence Agency
CSB	U.S. Chemical Safety and Hazard Investigation Board
DCAA	Defense Contract Audit Agency
EPA	U.S. Environmental Protection Agency
FBI	Federal Bureau of Investigation
FY	Fiscal Year
OHS	Office of Homeland Security
OIG	Office of Inspector General
OMB	Office of Management and Budget
ROI	Return on Investment
SES	Senior Executive Service

Hotline

To report fraud, waste or abuse, contact us through one of the following methods:

email: OIG_Hotline@epa.gov
phone: 1-888-546-8740
fax: 1-202-566-2599
online: <http://www.epa.gov/oig/hotline.htm>

write: EPA Inspector General Hotline
 1200 Pennsylvania Avenue, NW
 Mailcode 2431T
 Washington, DC 20460

Suggestions for Audits or Evaluations

To make suggestions for audits or evaluations, contact us through one of the following methods:

email: OIG_WEBCOMMENTS@epa.gov
phone: 1-202-566-2391
fax: 1-202-566-2599
online: http://www.epa.gov/oig/contact.html#Full_Info

write: EPA Inspector General
 1200 Pennsylvania Avenue, NW
 Mailcode 2410T
 Washington, DC 20460



Message to Congress

During this semiannual reporting period, in the course of our work, the Office of Inspector General (OIG) encountered unique circumstances that led us in some unforeseen directions.

Sometimes one path of inquiry sent us down another. For instance, our earlier investigation of the various frauds committed by John C. Beale, a former U.S. Environmental Protection Agency (EPA) Senior Policy Advisor, exposed internal control weaknesses within the agency. As a result, this period we performed a pair of audits examining pay and travel issues—the first in a series with more to come. As another example, as part of a broader audit of warehouse spaces, we discovered that an EPA facility in Blue Ash, Ohio, was being used to store more than 6 years' worth of excess paper-based publications.

Consequently, we issued an early warning report suggesting that the EPA could put to better use the \$1.5 million in annual costs.

Sometimes our efforts to root out fraud, waste and abuse were thwarted by impediments from the agency. The most significant of these, which is ongoing, was the refusal of the EPA's Office of Homeland Security, a unit established by the Office of the Administrator to handle national security issues, to cede or share jurisdiction on allegations of employee misconduct and other matters for which the OIG is charged responsibility under the Inspector General Act. On other fronts, an Office of General Counsel attorney refused to speak with the auditors examining agencywide pay issues, creating a potential gap in information. And auditors who requested financial statements for two pesticide funds did not receive sufficient and timely information.

But even absent a change in direction or unexpected hurdles, every OIG review is a journey to the unknown. We adhere to specified professional standards for all audits, evaluations and investigations to reach conclusions. During this period, we looked at issues requested by Congress; areas where the agency can potentially achieve cost savings and improve its business practices; and those in which the EPA can improve human health, safety and the environment.

Congressionally Requested Reviews

As a result of a congressional request, we looked at how the EPA conducts research that involves human subjects. We found that the agency followed applicable regulations when it exposed 81 human study subjects to concentrated airborne particles or diesel exhaust emissions. Still, we concluded that the EPA can enhance its human studies by improving how it obtains approval for studies, communicates risk to people who participate in those studies, and addresses adverse events in agency guidance.

Pursuant to another congressional request, we looked into a complaint from a homeowner in Texas regarding the drinking water well associated with his home becoming contaminated with natural gas. We concluded that the EPA Region 6's issuance of a Safe Drinking Water Act emergency order to the Range Resources Gas Drilling Company, instructing it to investigate the groundwater and soil near its gas well



Arthur A. Elkins Jr.

and the complainant's home, conformed to agency guidelines, regulations and policy. We recommended that Region 6 collect and evaluate the testing results provided by Range Resources and determine whether an "imminent and substantial endangerment" still existed.

Potential Cost Savings and Areas for Improved Business Practices

In addition to our finding regarding the EPA's inventory of excess publications at its warehouse in Blue Ash, we identified other opportunities for costs savings and improved business practices, such as:

- The EPA collected \$94,109 in ineligible costs paid to the California Air Resources Board under a grant and may be able to recover an additional \$8.77 million.
- The EPA did not provide effective oversight to ensure that purchase card holders and approving officials complied with internal control procedures, resulting in \$79,254 of prohibited, improper and erroneous payments.
- Our review of classified documents found that the EPA's national security information could be improperly classified without improved procedures.
- The EPA has not created formal policies and procedures for several processes that contribute to safeguarding Personally Identifiable Information.


Human Health, Safety and the Environment

The U.S. Virgin Islands did not monitor beaches on St. Thomas and St. John for pathogens for the 2-week period of February 3–16, 2014, due to contract issues. Based on a request from the EPA's Region 2, the OIG evaluated the U.S. Virgin Islands' performance under a \$303,000 EPA grant. As a result of our review, the U.S. Virgin Islands restarted beach sampling on February 17, 2014, and EPA Region 2 has begun working with the U.S. territory to address beach monitoring program deficiencies.

As a result of another investigation, a New York state laboratory that performed chemical analysis of water and soil samples was fined \$150,000 for falsifying more than 3,300 results. In another case, a North Carolina laboratory employee entered into a \$38,500 civil settlement to settle allegations related to improperly conducting air sampling tests.

The OIG's mission, and our promise, is to ensure that the EPA and OIG remain responsible stewards of taxpayer dollars, striving to add value, transparency and assistance to the agency in safeguarding the health of the American people and protecting the environment.

To learn more about our accomplishments during this reporting period, read on.



Arthur A. Elkins Jr.
Inspector General

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About EPA and Its Office of Inspector General

U.S. Environmental Protection Agency

The mission of the U.S. Environmental Protection Agency (EPA) is to protect human health and the environment. As America's steward for the environment since 1970, the EPA has endeavored to ensure that the public has air that is safe to breathe, water that is clean and safe to drink, food that is free from dangerous pesticide residues, and communities that are protected from toxic chemicals.

EPA Office of Inspector General

The Office of Inspector General (OIG), established by the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, is an independent office of the EPA that detects and prevents fraud, waste and abuse to help the agency protect human health and the environment more efficiently and cost effectively. OIG staff are located at headquarters in Washington, D.C.; at the EPA's 10 regional offices; and at other EPA locations, including Research Triangle Park, North Carolina, and Cincinnati, Ohio. The EPA Inspector General also serves as the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB).

Our vision, mission and goals are as follows:

Vision

Be the best in public service and oversight for a better environment tomorrow.

Mission

Promote economy, efficiency, effectiveness, and prevent and detect fraud, waste, and abuse through independent oversight of the programs and operations of the EPA and CSB.

Goals

1. Contribute to improved human health, safety, and environment.
2. Contribute to improved EPA and CSB business practices and accountability.
3. Be responsible stewards of taxpayer dollars.
4. Be the best in government service.

Furthering EPA's Themes

When conducting our audit and evaluation work during the first half of fiscal year (FY) 2014, we took into account the EPA's seven themes for meeting the challenges ahead. The table below show how our audit and evaluation reports aligned with each of the agency's themes so that we could better enable the EPA to carry out its mission of protecting human health and the environment. These themes were set by EPA Administrator Gina McCarthy. Some reports addressed more than one theme.

OIG-Issued Reports Issued During Semiannual Reporting Period by Theme

OIG Report	Report Number	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Activity	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future
Environmental Benefits Being Considered in Award of Great Lakes Grants	14-P-0004				X			
EPA Does Not Adequately Follow National Security Information Classification Standards	14-P-0017						X	
The State of Colorado Did Not Fully Assure That Funds Intended to Treat Mining Wastes and Remove Contaminants from Water Were Effectively Spent	14-R-0032	X			X	X		
Fiscal Year 2013 Federal Information Security Management Act Report: Status of EPA's Computer Security Program	14-P-0033						X	
Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale Pay Issues	14-P-0036						X	
Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Travel	14-P-0037						X	
Audit of EPA's Fiscal 2013 and 2012 Consolidated Financial Statements	14-1-0039						X	
Dozier Technologies, Inc. Failed to Comply With Financial and Management Requirements of Its Support Services Contract	14-4-0040						X	
Fiscal Years 2012 and 2011 (Restated) Financial Statements for the Pesticides Reregistration and Expedited Processing Fund	14-1-0041						X	
Fiscal Years 2012 and 2011 (Restated) Financial Statements for the Pesticide Registration Fund	14-1-0042						X	
Response to Congressional Inquiry Regarding the EPA's Emergency Order to the Range Resources Gas Drilling Company	14-P-0044	X		X	X			

OIG Report	Report Number	Making a Visible Difference in Communities Across the Country	Addressing Climate Change and Improving Air Quality	Taking Action on Toxics and Chemical Activity	Protecting Water: A Precious, Limited Resource	Launching a New Era of State, Tribal and Local Partnerships	Embracing EPA as a High Performing Organization	Working Toward a Sustainable Future
Audit of American Recovery and Reinvestment Act Cooperative Agreement 2A-00E85701 Awarded to the Greater Lansing Area Clean Cities	14-R-0088	X	X			X		
Internal Controls Needed to Control Costs of Emergency and Rapid Response Services Contracts, as Exemplified in Region 6	14-P-0109						X	
EPA Needs to Improve Safeguards for Personally Identifiable Information	14-P-0122						X	
Complaints Regarding Debris Management at the West, Texas, Fertilizer Plant Explosion Have Been Addressed	14-P-0123			X				
Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA	14-P-0128						X	
EPA Did Not Conduct Thorough Biennial User Fee Reviews	14-P-0129						X	
Unless California Air Resources Board Fully Complies With Laws and Regulations, Emission Reductions and Human Health Benefits Are Unknown	14-R-0130	X	X					
National Association of State Departments of Agriculture Research Foundation Needs to Comply With Certain Federal Requirements and EPA Award Conditions to Ensure the Success of Pesticide Safety Education Programs	14-P-0131			X			X	
Early Warning Report: National Service Center for Environmental Publications in Blue Ash, Ohio, Spent \$1.5 Million to Store Excess Publications	14-P-0132						X	
EPA's Information Systems and Data Are at Risk Due to Insufficient Training of Personnel With Significant Information Security Responsibilities	14-P-0142						X	
EPA Needs to Improve Management of the Cross-Media Electronic Reporting Regulation Program in Order to Strengthen Protection of Human Health and the Environment	14-P-0143						X	X
Improvements to EPA Policies and Guidance Could Enhance Protection of Human Study Subjects	14-P-0154		X					
Quick Reaction Report: EPA Oversight Needed to Ensure Beach Safety in U.S. Virgin Islands	14-P-0155	X			X			

Scoreboard of Results

Scoreboard of OIG FY 2014 Performance Results (First Half) Compared to FY 2014 Annual Performance Goal Targets

Our work is designed to help the EPA reduce risk, improve practices and program operations, and save taxpayer dollars so that the agency can better protect the environment. The information below shows the taxpayers' return on investment for the work performed by the EPA OIG during the first half of FY 2014. All results reported in FY 2014, from current and prior years' work, are based on the annual performance goals and plans established through implementation of the Government Performance and Results Act.

Annual Performance Goal 1: Environmental and business outcome actions taken or realized by the EPA (based on OIG recommendations)	
Target: 248 (adjusted) Reported: 92 (37.10% of goal)	Supporting measures 84 Environmental and management actions implemented or improvements made 7 Critical congressional and public concerns addressed 1 Legislative or regulatory change made
Annual Performance Goal 2: OIG environmental and business output recommendations, awareness briefing or testimony (for agency action)	
Target: 687 (adjusted) Reported: 369 (53.71% of goal)	Supporting measures 296 Environmental and management recommendations or referrals for action 11 Environmental and management certifications, verifications and validations 6 Environmental and management risks and vulnerabilities identified 56 External awareness briefings, training or testimony given
Annual Performance Goal 3: Monetary return on investment (ROI) – potential monetary ROI as percentage (125%) of budget	
Target: 125% ROI Reported: \$69.8 million* (102% ROI)	Supporting measures (dollars in millions) \$39.31 Questioned costs \$28.11 Recommended efficiencies, costs saved \$2.44 Fines, penalties, settlements and restitutions
Annual Performance Goal 4: Criminal, civil and administrative actions reducing risk or loss/operational integrity	
Target: 125 Reported: 86 (68.80% of goal)	Supporting measures 10 Criminal convictions 24 Indictments, informations and complaints 1 Civil action 27 Administrative actions (other than debarments or suspensions) 18 Suspension of debarment actions 6 Allegations disproved

Other (no targets established)**Savings and recommendations sustained from current and prior periods:**

- \$6.4 million in questioned costs sustained (17% of costs questioned)
- \$0.18 million in cost efficiencies sustained or realized (21% of cost efficiencies claimed)
- 138 recommendations sustained (65% of recommendations issued)

Total reports issued: 156

- 26 reports issued by OIG
- 130 issued by Single Auditors

American Recovery and Reinvestment Act of 2009 Activity Results – Cumulative from 2/09 through 3/14

Recovery Act funds expired on 9/30/12 but OIG oversight work continued during FY 2014

- 59 Recovery Act reports issued
- 176 Recovery Act awareness briefings/outreach sessions
- 97 Recovery Act complaints received
- \$61.846 million in potential monetary benefits (e.g., questioned costs, fines, savings, etc.)

Sources: OIG Performance Measurement and Results System and Inspector General Enterprise Management System.

Impediments to OIG Efforts

In August 2009, then EPA Administrator Lisa P. Jackson issued an all-hands memorandum stressing the need for agency employees to give full cooperation to the OIG. In July 2013, the Inspector General asked EPA senior leadership to issue a new all-hands memorandum stressing the need for employees to cooperate with the OIG. The OIG was assured that this new memorandum would soon be issued. To date, a new memorandum has not been issued, and instances of agency failure to cooperate with the OIG continue to occur. Examples follow.

Office of Homeland Security

The OIG has made numerous attempts to work collaboratively on matters of mutual concern with the EPA's Office of Homeland Security (OHS) on employee misconduct, threats and intrusions into EPA computer networks and systems. As highlighted below, however, the OIG has encountered resistance and a lack of cooperation from OHS.

- In 2012, OHS entered into an agreement with the Federal Bureau of Investigation (FBI) whereby OHS is designated as the agency's single point of contact on certain EPA investigations. The agreement was made without OIG input or knowledge. As a consequence, OHS has not informed the OIG of certain employee misconduct cases that fall within OIG investigative jurisdiction. For example, we learned in one case in mid-2013 that OHS had been conducting an investigation in coordination with the FBI concerning alleged misconduct of an EPA employee. OHS failed to notify or coordinate with the OIG about it, and the OIG only became aware of the case through its own contact with the FBI.
- OHS has attempted to prevent agency employees from communicating with the OIG by employing nondisclosure agreements. In one case, the OIG learned that OHS had certain agency employees sign "nondisclosure agreements" in June 2013 that directed the employees not to disclose information to anyone, including the OIG.
- The OIG learned of a potential threat to the EPA from a report shared by the U.S. Secret Service. The report apparently had been prepared by the Secret Service at the request of OHS in July 2013. The potential threat information came from an individual with an extensive and violent criminal history, including weapons and drug charges. OHS had not shared this important information with the OIG or with agency security officials. Once the information was brought to the OIG's attention, the OIG immediately notified the Security Management Division and the Administrator's protective detail, and interviewed the subject.

As recent tragic events demonstrate, it is imperative that the OIG and OHS work collaboratively on threat-related information. The failure to collaborate could not only result in the failure to thwart a potential attack on an EPA employee or facility, but could place OIG agents in high risk and hazardous situations.

Office of the Chief Financial Officer

During the financial statement audits of the FYs 2013 and 2012 Pesticide Reregistration and Expedited Processing Fund and Pesticide Registration Fund, the OIG encountered several impediments to obtaining information from the agency and completing audits in a timely manner. The Office of the Chief Financial Officer's Office of Financial Management made a decision at the start of the audit, in February 2014, not to provide the OIG with financial statements. Officials said their purpose was to streamline the financial statement preparation process by eliminating separate financial statements for the two funds. In lieu of the statements, they provided a financial summary with no support explaining how the figures were derived. The OIG made several inquiries with the Office of Financial Management regarding the information provided, including requests for further information, and questioning whether additional information was forthcoming. Subsequently, the Office of Financial Management started to provide information on a piecemeal basis. However, most of that information provided no value to the audits and did not support the financial summaries for the two funds. The OIG also experienced delays regarding the Office of Financial Management's responses to our inquiries throughout the audit.

During our review of internal controls subsequent to the investigation of the John C. Beale matter, it took approximately 3 months to obtain information on time and attendance as well as computer usage. This wait delayed the completion of various audits undertaken in response to congressional requests. In particular, the Office of the Chief Financial Officer provided four different reports on pay issues, each of which the OIG found to have problems regarding accuracy and completeness.

Office of Chemical Safety and Pollution Prevention

During the financial statement audits of the FYs 2013 and 2012 Pesticide Reregistration and Expedited Processing Fund and Pesticide Registration Fund, the OIG also experienced significant delays in obtaining supporting documentation and responses to our inquiries from the Office of Chemical Safety and Pollution Prevention's Office of Pesticide Programs. The Office of Pesticide Programs did not have documentation readily available for us to complete our collection sample testing. Further, there were disagreements between the Office of Financial Management and the Office of Pesticide Programs regarding who should provide information to us for various matters, which caused delays in the OIG obtaining the information.

Office of General Counsel

During our review of internal controls subsequent to the John C. Beale investigation, an EPA Office of General Counsel staff attorney involved with the Beale matter declined to be interviewed, as is required under Section 6(a) of the Inspector General Act. To our knowledge, the agency has not taken any action with respect to this attorney.

As a result of this refusal, we were limited in our ability to determine the Office of General Counsel's involvement in, knowledge of, and actions taken related to the Beale matter. For example, the timing and extent of the Office of General Counsel's involvement in contacting the EPA's OHS is unknown.

Significant OIG Activity

Beale Gets Prison Term; Additional Reviews Conducted

John C. Beale Sentenced to 32 Months in Prison for Multiple Frauds

John C. Beale, a former Senior Policy Advisor for the EPA, was sentenced on December 18, 2013, to serve 32 months in prison following a plea agreement in which he admitted perpetrating multiple frauds to avoid performing his EPA job while still being paid. Beale also was sentenced to pay \$886,186 in restitution and a forfeiture judgment of \$507,207. He will serve 2 years of probation upon release from prison.



John C. Beale

“Today’s sentencing closes the sordid chapter of John Beale’s numerous and egregious fraudulent activities perpetrated against the federal government over a very long period of time,” said EPA Inspector General Arthur A. Elkins Jr. on the day of the sentencing. “While this chapter has ended, we have started a new one in which the Office of Inspector General is actively looking at the EPA’s sloppy internal controls and management actions that enabled Mr. Beale’s frauds to occur.”

Beale was employed by the EPA from 1989 until April 30, 2013. He was assigned to the Office of Air and Radiation. For much of his time at the EPA, Beale was a Senior Policy Advisor. His duties included assisting in the planning, policy implementation, direction and control of EPA programs, and he attended international conferences in foreign countries. In August 2000, Beale was promoted to a senior-level employee, making him among the highest-paid, non-elected federal government employees. For more than a dozen years, Beale collected pay from the EPA while claiming he was out of the office working on a project for the Central Intelligence Agency (CIA) as well as other efforts. In fact, Beale was not working for the CIA or the EPA but was at home attending to personal business. Over a 13-year period, Beale was absent from his EPA duties for about 2½ years but drew a salary and benefits.

Beale continued to receive a 25-percent retention bonus for 10 years after the bonus expired. In September 2011, a retirement party was held for Beale, but a year later an EPA manager discovered that Beale was still receiving a paycheck. Beale also claimed he needed a reserved parking space at the EPA, at a total cost of about \$8,000, due to the malaria he said he contracted while serving in the U.S. Army in Vietnam, but Beale never served in Vietnam or contracted malaria. Beale also received travel expenses for research that could have been done at his EPA office, and he inappropriately traveled first class and stayed at hotels that far exceeded allowed government lodging rates.

OIG Leaders Testify Before Congress on John C. Beale Matter

EPA OIG Inspector General Elkins and Patrick Sullivan, the Assistant Inspector General for Investigations, both testified on October 1, 2013, before the U.S. House of Representatives' Committee on Oversight and Government Reform regarding the Beale case.

“Once my office learned about the serious allegations made against Mr. Beale, the OIG’s Office of Investigations immediately launched and quickly completed a successful investigation of what you will certainly agree to be an egregious and almost unbelievable case,” Elkins told the committee members.

Sullivan told the committee that the OIG investigation had included interviews of more than 40 individuals and the examination of thousands of documents. He went into extensive detail on the various improprieties that occurred, and noted that “The Office of Investigations continues to determine the extent of potential administrative misconduct of other senior EPA employees whose failure to exercise due diligence allowed this fraud scheme to occur and continue unchecked for as long as it did.”

In addition, both Sullivan and Elkins pointed out that the OIG had started audit work to research underlying causes and internal control weaknesses at the EPA that enabled Beale to perpetuate his fraud for an extended period of time. “As a result of this investigation, the OIG’s Office of Audit has mobilized to aggressively assess the various internal control issues at the EPA that allowed this highly troubling scenario to occur,” Elkins told the committee members. During the semiannual reporting period, the OIG issued two early warning reports addressing internal control weaknesses, as discussed below.

Audit Report Notes Internal Control Issues Concerning John C. Beale’s Pay

An OIG early warning report issued in December 2013 at the request of a member of the U.S. Senate’s Committee on Environment and Public Works found that the fraud committed by Beale was enabled by ineffective internal controls and a lack of management attention at the EPA.

Internal controls that the EPA had in place did not identify and/or prevent abuses related to:

- Retention bonuses.
- Pay in excess of statutory limits.
- Time and attendance.

Agency managers did not take timely, effective action to address Beale’s retention bonus and pay in excess of statutory limits even though the managers were presented with these

issues in July 2010. Management said they had believed that Beale's pay issues were an administrative matter they did not consider a priority to address. The EPA's insufficient internal controls over timekeeping facilitated Beale's time and attendance abuses.

In response to our report, the agency identified internal control improvements that could be made. These improvements included modification to the time-and-attendance system to ensure managers approve individual employee timecards, quarterly review of time-and-attendance records to confirm time is being entered and approved properly, and a quarterly review to determine whether an employee is receiving a retention bonus or has been paid over the statutory pay cap.

(Report No. 14-P-0036, Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Pay Issues, December 11, 2013)

Audit Report Notes Issues Related to John C. Beale's Travel

Another [OIG early warning report issued at the request of a member of the U.S. Senate's Committee on Environment and Public Works](#) noted that a lack of management oversight and weak internal controls enabled Beale's travel abuse.

Beale's travel abuse included using premium (first) class travel, incurring expenses above per diem amounts, and charging questionable travel and transportation costs. Contributing factors to the abuse were limited review of vouchers or receipts, questions raised about Beale's travel being dismissed, expenses not being questioned because Beale's reviewing official was a peer, and concern that Beale's behavior and travel expenses were supported by another senior executive.

In response to our report, the agency identified internal control improvements that could be made to prevent or detect travel-related abuses. The agency noted that, since 2012, vouchers for travel other than coach must include an approved waiver and 100-percent review before payment. Effective November 2013, the EPA indicated that eligibility regarding medical documentation supporting premium class travel waivers is to be confirmed. Starting in the second quarter of FY 2014, the agency said second line supervisors are to approve lodging amounts that exceed a designated percentage. Also, management indicated that by February 2014 internal control assessments would be completed for travel in the areas of premium class travel above the government rate travel reimbursement and executive travel approvals.

(Report No. 14-P-0037, Early Warning Report: Internal Controls and Management Actions Concerning John C. Beale's Travel, December 11, 2013)

Congressionally Requested Reviews Conducted

In addition to the two reports regarding John C. Beale, the OIG issued two other reports in response to congressional requests during the semiannual reporting period.

Improvements Could Enhance Protection of Human Study Subjects

The EPA can enhance its human studies by improving how it obtains approval for studies, communicates risk to people who participate in EPA studies, and addresses adverse events in EPA guidance.



An EPA human subjects air pollution test chamber. (EPA OIG photo)

The EPA must follow applicable regulations and obtain approval—including from a biomedical Institutional Review Board and the EPA Human Studies Research Review Official—to conduct human research studies. The EPA needs to obtain informed consent from human study subjects before exposing them to pollutants. The agency is also required to address adverse events and report them. These measures are intended to properly protect study subjects.

During our review conducted as a result of a congressional request, we found that the EPA followed applicable regulations when it exposed 81 human study subjects to concentrated airborne particles or diesel exhaust emissions in five EPA studies conducted during 2010 and 2011. However, we identified improvements that could be made. For example, the EPA's policies and guidance do not address when the EPA Human Studies Research Review Official's approval is needed for significant study modifications. Also, while the EPA's consent forms met regulatory requirements, exposure risks were not always consistently represented, and the EPA did not include information on long-term cancer risks in its diesel exhaust studies' consent forms. The EPA's policy, guidance and consent forms do not establish the agency's clinical follow-up responsibilities for adverse events. Further, the policy and guidance of the EPA's National Health and Environmental Effects Laboratory did not state that it was using the University of North Carolina at Chapel Hill's Institutional Review Board's adverse event definitions and reporting timeframes.

We recommended that the EPA establish procedures for obtaining approval of significant study modifications, ensure consent forms consistently address pollutant risks and include any known or likely carcinogenic effects, update its guidance to include EPA clinical follow-up responsibilities, clearly state adopted adverse event definitions and reporting timeframes, and address a number of other recommendations. The EPA's planned corrective actions and completion dates meet the intent of the recommendations.

(Report No. 14-P-0154, Improvements to EPA Policies and Guidance Could Enhance Protection of Human Study Subjects, March 31, 2014)

EPA Acted Properly in Issuing Emergency Order to Drilling Company

We concluded that EPA Region 6's issuance of a Safe Drinking Water Act emergency order to the Range Resources Gas Drilling Company, instructing it to investigate the groundwater and soil near its gas well in Texas, conformed to agency guidelines, regulations and policy.

In August 2010, a homeowner in Parker County, Texas, complained to Region 6 that the drinking water well associated with his home had become contaminated with natural gas



Outside the Range Resources' Butler and Teal hydraulic fracturing well sites. (EPA OIG photo)

and requested assistance. The homeowner indicated that he had contacted the Texas Railroad Commission but the commission had not been able to resolve his issues. Region 6, in consultation with the Railroad Commission, conducted testing. Test results showed levels of methane that presented a potential explosion hazard and benzene levels above the EPA's published maximum contamination levels. The research identified two hydraulic fracturing gas wells operated by Range Resources as the likely sources for contamination based on their location, timing of operation and gas characteristics. However, the Texas Railroad Commission did not share the EPA's conclusion that the gas wells caused the well contamination.

On December 7, 2010, Region 6 issued an emergency order under a provision of the Safe Drinking Water Act. The order required Range Resources to conduct additional research on the source and extent of contamination, provide drinking water to affected residents, and develop a plan to mitigate aquifer contamination. Range Resources did not fully comply with the order and legal actions ensued. After reaching a nonbinding agreement with the company for additional testing, the EPA withdrew the order in March 2012.

Our review, conducted as a result of a congressional request, found that EPA Region 6's issuance of the emergency order conformed to agency guidelines, regulations and policy. We recommended that Region 6 collect and evaluate the testing results provided by Range Resources and determine whether an "imminent and substantial endangerment" still existed. We also recommended that Region 6 inform affected residents about the present status of the contamination and any Region 6 planned actions. The agency agreed with our recommendations and noted corrective actions taken or planned.

(Report No. 14-P-0044, Response to Congressional Inquiry Regarding the EPA's Emergency Order to the Range Resources Gas Drilling Company, December 20, 2013)

Potential Cost Savings Identified

EPA Warehouse in Ohio Spent \$1.5 Million to Store Excess Publications

During our review of EPA warehouses, we found that the EPA's National Service Center for Environmental Publications in Blue Ash, Ohio, stored an extensive amount of excess publications, resulting in our issuing an early warning report to have the agency take immediate action.

The Blue Ash warehouse maintains and distributes the EPA's environmental publications in hard copy, CD ROM and other multimedia formats. However, we found that the EPA



Rows of boxed publications at the EPA warehouse operated by a contractor in Blue Ash, Ohio. (EPA OIG photo)

was storing more than 6 years' worth of publications at the warehouse. In December 2013, the warehouse had an inventory of more than 18 million publications but averaged only about 3 million publications shipped on a yearly basis. Consequently, the EPA is tying up funds by storing and caring for excess stock, and we believe that the agency can put as much as \$1.5 million to better use by reducing its inventory of excess publications.

Following EPA OIG visits to the Blue Ash warehouse and several follow-up discussions with staff, the warehouse reported that it recycled almost 2 million items, consisting of more than 140 tons of material, between June and October 2013.

(Report No. 14-P-0132, Early Warning Report: National Service Center for Environmental Publications in Blue Ash, Ohio, Spent \$1.5 Million to Store Excess Publications, March 11, 2014)

California Air Board Faces Potential \$8.86 Million Repayment

The California Air Resources Board claimed costs under an EPA cooperative agreement that did not comply with the agreement's terms and conditions. The EPA already has collected \$94,109 for ineligible costs paid, and may recover an additional \$8.77 million.

The board received an American Recovery and Reinvestment Act grant from the EPA to repower eight existing switch-yard locomotives with new engines. During our review, we found material weaknesses in the board's compliance with laws, regulations, and terms

and conditions of the cooperative agreement. Specifically, the board did not comply with the requirement of the cooperative agreement and the Energy Policy Act of 2005 to scrap or remanufacture old engines. The board also did not accurately report jobs created or retained, or provide actual emissions reduction calculations as required. Further, the board paid contract costs that were not in accordance with contract terms.



An example of a switch-yard locomotive. (EPA photo)

We recommended that EPA Region 9 disallow and recover ineligible costs of \$94,109 claimed under the cooperative agreement and require the board to establish internal controls prior to any future awards. The grantee repaid the \$94,109 to the EPA. Further, the board's contractor—BNSF Railway Company—also signed an agreement to scrap or remanufacture the replaced engines. We recommended that the region verify that the board and BNSF comply with the agreement and document the scrap or remanufacture, and recover the federal share of \$8,771,891 claimed if the board violates the November 2013 agreement.

(Report No. 14-R-0130, Unless California Air Resources Board Fully Complies With Laws and Regulations, Emission Reductions and Human Health Benefits Are Unknown, March 6, 2014)

Colorado Grant Has Questioned Costs Totaling \$2,593,495

The Colorado Department of Public Health and Environment generally complied with state and federal procurement policies and procedures regarding an American Recovery and Reinvestment Act grant received from the EPA. However, the grantee did not always complete analysis and bid proposal requirements, resulting in \$2,593,495 in questioned costs.

EPA Region 8 awarded Colorado \$18,888,888 for remediation of the Summitville Mine Superfund site, including construction of a water treatment facility. An audit conducted by an independent accounting firm on behalf of the EPA OIG found that the grantee generally complied with policies and procedures. However, the review found that Colorado did not always comply with cost or price analysis requirements, and did not include all required language in bid proposals.

The report recommended that the EPA have the grantee take various corrective actions, and that the EPA recover questioned costs of \$2,593,495 or have the grantee provide documentation to support grantee actions. The grantee only agreed that it had omitted some required contract language and did not propose any corrective actions.

(Report No. 14-R-0032, The State of Colorado Did Not Fully Assure That Funds Intended to Treat Mining Wastes and Remove Contaminants From Water Were Effectively Spent, November 19, 2013)

Inappropriate Charge Card Purchases of \$79,254 Noted

The EPA did not provide effective oversight to ensure that purchase card holders and approving officials complied with internal control procedures, resulting in \$79,254 of prohibited, improper and erroneous purchases.

For FY 2012, the EPA's 1,370 active cardholders transacted more than \$29 million in purchases. Of \$152,602 in transactions sampled, we found \$79,254 of prohibited, improper and erroneous purchases that had not been detected. These included the purchase of gym memberships, meals for an awards recognition ceremony, and gift cards.



A government purchase card.
(General Services Administration photo)

We recommended that the EPA implement regular transaction reviews, provide additional training, and revise the Contracts Management Manual to more specifically address erroneous and illegal purchases. The EPA's planned corrective actions addressed all of our recommendations. The EPA began taking action to improve the oversight of purchase cards and is considering other improvements.

(Report No. 14-R-0128, Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA, March 4, 2014)

EPA Asked to Recover \$571,626 in Grant Funds From Association

The financial management and procurement system of the National Association of State Departments of Agriculture Research Foundation did not meet certain federal requirements and conditions pertaining to a \$3.6 million EPA cooperative agreement award. As a result, we asked the EPA to recover \$571,626 of potentially unallowable costs.

The association received an EPA grant to support national and international pesticide safety education programs for agricultural workers. However, the association's financial management system did not meet certain federal requirements and conditions of the EPA award. As a result, we questioned \$275,650. The association did not document its



Pesticides being applied to a field. (EPA photo)

procurement selection process or provide documentation to support any cost or price analysis performed on its project management subcontract as required by the Code of Federal Regulations. In addition, the association's written procurement policy lacked procedures to ensure compliance with the Code of Federal Regulations. As a result, we questioned \$295,976. We also

identified an unresolved issue pertaining to potentially unallowable costs of \$118,324 drawn under a prior EPA award. The costs, recorded as a refundable advance, represent funds received as of year-end but not yet earned.

We recommended that the EPA disallow and recover \$571,626. We also recommended that the EPA require the association to recalculate its indirect cost rates, and establish controls to ensure that its financial management and procurement systems comply with requirements. In addition, we recommended that certain special conditions be included for all active and future EPA awards to the association until the association meets all applicable federal requirements. The association did not agree with the OIG findings and recommendations, but the association did modify its subcontract for project management services and its written procurement procedures. The EPA agreed with the OIG recommendations and said it would work with the association to resolve the issues.

(Report No. 14-P-0131, National Association of State Departments of Agriculture Research Foundation Needs to Comply With Certain Federal Requirements and EPA Award Conditions to Ensure the Success of Pesticide Safety Programs, March 10, 2014)

Costs Claimed for Greater Lansing Grant Generally Not Allowable

A review found that grant costs claimed by the Greater Lansing Area Clean Cities were generally not allowable. Two contracts with conflicts of interest were awarded, resulting in \$805,769 in claimed costs being questioned.

The EPA awarded the grantee \$1,670,325 under the American Recovery and Reinvestment Act to retrofit 364 public school buses with emission reduction equipment and replace 10 public school buses with lower-emission vehicles. An audit conducted by an independent accounting firm on behalf of the EPA OIG found that the grantee complied with procurement procedures and Recovery Act requirements, and met all grant objectives. However, the review found two contracts with conflicts of interest that resulted in the questioning of \$805,759 in claimed costs. The report also indicated the grantee's accounting system needed to better identify costs by project.

The report recommended that Region 5 require the grantee to recover questioned costs of \$805,759. The report also recommended that Region 5 verify that the grantee's accounting system was adequate for providing accurate and complete disclosure of financial results prior to any future award. The grantee disagreed with the findings and recommendations. Region 5 disagreed with the accounting system issue and stated that the region did not have sufficient information to comment on the conflict of interest issue.

(Report No. 14-R-0088, Audit of American Recovery and Reinvestment Act Cooperative Agreement 2A-00E85701 Awarded to the Greater Lansing Area Clean Cities, January 9, 2014)

EPA Did Not Conduct Thorough Biennial User Fee Reviews

The EPA did not conduct thorough biennial user fee reviews for FYs 2008–2009 and 2010–2011, and did not review all agency programs to determine whether they should assess fees for government services they provide. Consequently, the EPA may not have recovered all program costs.

The Chief Financial Officers Act of 1990 directs agencies to review, on a biennial basis, the agency's fees and other charges for services provided to determine whether additional fees should be assessed. The EPA did not sufficiently conduct cost reviews, report biennial review results to the Office of Management and Budget (OMB), request user fee exceptions by letter to OMB, or review all programs for fee potential. We identified an EPA program—the Office of Water's National Pollutant Discharge Elimination System permit program—with the potential to charge fees up to \$8.9 million per year to recover its costs of providing a service.

We recommended that the Chief Financial Officer discuss biennial user fee results in the Agency Financial Report, coordinate requests for an exception to charging fees, and request fee exception programs to provide complete fee and cost information. We also recommended that the Office of Water conduct an analysis to determine the EPA's full cost of issuing National Pollutant Discharge Elimination System permit fees and determine whether it should charge fees for the permits or request an exception to fees. The agency agreed with our initial and revised recommendations.

(Report No. 14-P-0129, EPA Did Not Conduct Thorough Biennial User Fee Reviews, March 4, 2014)

Other Human Health and Environment Issues

Beaches in U.S. Virgin Islands Not Monitored for 2 Weeks

The U.S. Virgin Islands did not monitor beaches on St. Thomas and St. John for pathogens for the 2-week period of February 3–16, 2014, due to contract issues.

Based on a request from the EPA Region 2 Regional Administrator, the OIG evaluated the U.S. Virgin Islands performance under the Beaches Environmental Assessment and Coastal Health Act of 2000. The U.S. Virgin Islands accepted an EPA grant of \$303,000 for FYs 2013 and 2014 for the weekly monitoring of 43 beaches on the islands of St. Croix, St. John and St. Thomas. Under the grant, the U.S. Virgin Islands is responsible for analyzing monitoring results and informing the public of any beach contamination.

From February 3–16, 2014, the U.S. Virgin Islands did not have 23 beaches on St. Thomas and St. John monitored to identify any harmful levels of contamination in the water. The lapse in sampling created risk that the public was exposed to unsafe levels of bacteria and the environment may have been endangered. Region 2 was unaware that the U.S. Virgin Islands' contract with the company collecting beach monitoring samples had lapsed, or that the U.S. Virgin Islands had not paid the company for sampling work since July 2012. Although the U.S. Virgin Islands provided public notice by issuing press releases to two local newspapers regarding the lack of monitoring, those notices may not have been adequate notice for tourists who may not read the local newspapers.



A view of Magen's Bay in St. Thomas. (EPA OIG photo)

The U.S. Virgin Islands restarted beach sampling on February 17, 2014. We recommended that the EPA Region 2 immediately take steps to ensure that beach monitoring and public notification meet EPA guidelines and that the U.S. Virgin Islands has a sustainable beach monitoring program in place. The agency agreed with our recommendations and has begun working with the U.S. Virgin Islands to address beach monitoring program deficiencies.

(Report No. 14-P-0155, Quick Reaction Report: EPA Oversight Needed to Ensure Beach Safety in U.S. Virgin Islands, March 31, 2014)

Environmental Benefits Being Considered for Great Lakes Grants

Spurred by the OIG's audit findings alerting it to potentially misdirected grants, EPA Region 5 took prompt action to ensure that Great Lakes Shoreline Cities Green Infrastructure grants will support lakewide management plan activities and result in the reduction of discharges to the Great Lakes, although the grant announcement could have been more specific.

The EPA invited 22 cities to submit applications for Great Lakes infrastructure grants to fund projects to reduce urban runoff and sewer overflows, and gave out \$8.5 million in



View of Chicago, a Great Lakes shoreline city.
(EPA photo)

grants. The EPA OIG received a hotline complaint that the grants were only being awarded based on population and potential environmental benefits was not the primary factor.

While the grant announcement did not specifically require proposed projects to support lakewide management plan activities as identified in the competition exemption, Region 5 management agreed that the announcement should have been more specific. To address the issue, Region 5 developed criteria for staff to use when reviewing grant applications, including how each

proposed project will support lakewide management plan goals and result in reducing discharges. Since Region 5 took action to address the issue noted, the report contained no recommendations.

(Report No. 14-P-0004, Environmental Benefits Being Considered in Award of Great Lakes Grants, November 5, 2013)

Complaints Regarding Debris at Texas Explosion Site Addressed

Although debris was removed from a Texas explosion site and “dumped” nearby without state or EPA knowledge, as alleged in a hotline complaint, the debris was identified as non-hazardous and was appropriately managed by the state.

On April 17, 2013, an explosion occurred at the Adair Grain Inc. Fertilizer Plant site in West, Texas, killing 14 people and injuring about 200. EPA Region 6 staff provided oversight of responsible party removal actions to address environmental threats.

The complaint alleged that possibly hazardous debris was removed from the site and “dumped” onto two private properties across the road. Although we substantiated that there were two debris piles, they were not found to be hazardous. EPA and state staff said the debris was removed and put at the two properties without their knowledge by another

federal agency. The complaint also alleged that there was a leaking water main below the two debris piles that could have contained contamination, and although we substantiated the allegation, the water main was disconnected after the explosion.

We noted that the EPA Region 6 report of its response oversight activities incorrectly stated that the city of West rather than a water supply company managed the water main, and EPA Region 6 corrected the report reference.

According to state staff, debris removal at the two properties is complete. The debris removed was tested, found to be non-hazardous, and appropriately recycled or disposed.

(Report No. 14-P-0123, Complaints Regarding Debris Management at the West, Texas, Fertilizer Plant Explosion Have Been Addressed, February 24, 2014)



Damaged volumetric tanks and equipment at the Adair Grain Inc. Fertilizer Plant in West, Texas. (EPA photo)

Agency Business Practices and Accountability

EPA Needs to Better Follow National Security Information Classification Standards

Our review of both originally and derivatively classified documents generated by three offices found that the EPA's national security information could be improperly classified without improved procedures.

We reviewed the EPA's classified national security information practices as required by the Reducing Over-Classification Act. Of the two originally classified documents reviewed, portions of one needed different classification levels and the other contained numerical data that were incorrectly transferred from another document. Also, three proposed guides were in the approval process for 12 months when it must take no more than 30 days. In addition, the declassification process needs clarity since one pending declassification request also had been in the approval process for almost a year when it should take no more than 60 days. Regarding derivatively classified documents, none of the 19 such documents reviewed completely met requirements.

Original Classification: The initial determination to classify is made by an original classification authority; in the EPA, the Administrator is the sole original classification authority.

Derivative Classification: Others in the EPA can classify information derivatively on the basis of source documents already classified or classification guides.

We recommended that EPA organizations correct originally and derivatively classified documents as needed, improve training, and develop a process to address declassification requests. We also recommended that the EPA submit a single, unclassified classification guide for approval. The agency agreed with our recommendations except for the one to develop a process for approving classification guides.

(Report No. 14-P-0017, EPA Does Not Adequately Follow National Security Information Classification Standards, November 15, 2013)

EPA Needs to Improve Personally Identifiable Information Safeguards

The EPA has not created formal policies and procedures for several processes that contribute to the safeguarding of Personally Identifiable Information. Without proper controls, the information is vulnerable to unauthorized access and misuse.

The EPA must safeguard individuals' privacy in a manner consistent with the Privacy Act, the E-Government Act of 2002 and other federal requirements. However, we found

that the EPA did not have sufficient policies and procedures or sufficient management oversight. Consequently, the agency did not ensure that employees were aware of their responsibilities for protecting sensitive information. The EPA was using an inaccurate list of systems with Personally Identifiable Information. Also, EPA training only covered a portion of the necessary topics.

We recommended that the EPA implement a “rules and consequences” procedure for safeguarding Personally Identifiable Information, develop and implement a process for maintaining an accurate and current listing of systems that contain sensitive Personally Identifiable Information, and implement a process to train individuals who access Personally Identifiable Information. The agency concurred with our recommendations and provided corrective action plans.

(Report No. 14-P-0122, EPA Needs to Improve Safeguards for Personally Identifiable Information, February 24, 2014)

Controls for Emergency Contracts Need Improvement

Review of task order files and invoices for Region 6 Emergency and Rapid Response contracts disclosed that infrequent internal control reviews and inadequate staffing hamper the region’s ability to prevent and detect many contract management shortcomings, resulting in higher contract costs.

Region 6 had two Emergency and Rapid Response Services contracts that provide cleanup personnel, equipment and materials to contain, recover or dispose of hazardous substances; analyze samples; and conduct site restoration. As of October 2012, Region 6 issued 174 task orders under the two contracts totaling \$77.6 million in expenditures. We identified two conditions that resulted in higher costs to the government:

- One prime contractor was applying a general and administrative indirect rate to its team subcontractors’ other direct costs, which went against the prime contractor’s proposal and indirect cost rate letter.
- Both prime contractors were receiving additional profit because the fixed labor rates negotiated between the EPA and prime contractors were based solely on the prime’s labor rates.

We recommended that Region 6 require procurement personnel to conduct internal control reviews twice a year, address issues related to subcontract other direct costs in the existing contracts, and require that proposals for future contracts include subcontractor rates as required. Region 6 concurred with some but not all of our recommendations.

(Report No. 14-P-0109, Internal Controls Needed to Control Costs of Emergency and Rapid Response Service Contracts, as Exemplified in Region 6, February 4, 2014)

EPA Earns Unqualified Opinion on Financial Statements

We rendered an unqualified opinion on the EPA's Consolidated Financial Statements for FYs 2013 and 2012, meaning that the statements were fairly presented and free of material misstatements. However, we noted several significant deficiencies:

- The EPA overstated Superfund State Contract credits.
- The EPA's high number of accounting corrections indicates an internal control weakness.
- Internal controls over the EPA's accountable personal property inventory process need improvements.
- Software was improperly recorded in the Compass Financials accounting system.
- The EPA needs to improve access control procedures for key financial systems.
- The EPA needs to improve processes for following up on identified network vulnerabilities.

We also noted a noncompliance issue with the Federal Financial Management Improvement Act. We found that the agency had a high number of accounting corrections due to posting model and other system errors at the transaction level. The high number of accounting corrections indicates an internal control weakness.

The agency agreed with most of our findings and recommendations. However, the agency did not agree that the number of accounting corrections was high. The agency posted more than 100 journal entries to correct posting model errors; just one of those entries involved 206 transactions. Thus, while we do not believe the noncompliance rose to the level of substantial noncompliance, we consider the number of errors at the transaction level to be high and an internal control weakness.

(Report No. 14-1-0039, Audit of EPA's Fiscal 2013 and 2012 Consolidated Financial Statements, December 16, 2013)

Pesticide Funds Earn Unqualified Opinions

We rendered unqualified, or clean, opinions on the FYs 2012 and 2011 financial statements (restated) for two funds the EPA uses to collect pesticide fees.

The Pesticide Registration Improvement Act authorized the EPA to assess and collect pesticide registration fees to expedite registering certain pesticides; the fees are deposited into the Pesticide Registration Fund. In our opinion, the financial statements for the fund were fairly presented and free of material misstatement. However, we noted two material weaknesses in internal controls. The EPA materially overstated the expenses from other appropriations that support the fund because the agency does not have an effective system to accurately accumulate such costs. The EPA also materially understated fund payroll

liabilities covered by budgetary resources as well as related payroll expenses included in gross costs. The agency agreed with our recommendations and initiated or agreed to initiate sufficient corrective actions. (*Report No. 14-1-0042, Fiscal Years 2012 and 2011 (Restated) Financial Statements for the Pesticide Registration Fund, December 17, 2013*)

To expedite reregistering older pesticides and assessing them against modern health and environmental testing standards, Congress authorized the EPA to collect fees from pesticide manufacturers; the fees are deposited into the Pesticides Reregistration and Expedited Processing Fund. In our opinion, the financial statements for the fund were fairly presented and free of material misstatement. However, we noted the same two material weaknesses in internal controls that we had noted regarding the Pesticide Registration Fund (see above). The agency agreed with our recommendations and initiated or agreed to initiate sufficient corrective actions. (*Report No. 14-1-0041, Fiscal Years 2012 and 2011 [Restated] Financial Statements for the Pesticides Reregistration and Expedited Processing Fund, December 17, 2013*)

EPA Needs to Improve Electronic Reporting Procedures

The EPA lacked documented procedures that reflect current operations of the Cross-Media Electronic Reporting Regulation program. An absence in management controls could lead the EPA to receive electronic documents that are unacceptable in administrative or judicial enforcement proceedings.

The EPA information systems receiving electronic reports for programs that states, tribes or local governments are authorized to manage must meet Cross-Media Electronic Reporting Regulation standards. This requirement is intended to reduce the cost and burden of electronic reporting while maintaining corporate and individual responsibility.

The EPA has neither implemented monitoring activities to verify an electronic reporting system's functionality before and after approval nor implemented processes to ensure the system's applications are completed, reviewed and approved within required timeframes. The EPA also lacked formal written processes to ensure consistency in making determinations for submitted applications. We found that 20 percent of reviewed applications lacked explicit support for determinations.

We recommended that the EPA create a process to verify a state's compliance with the electronic reporting program, and implement a completeness review process consistent with the program and develop internal guidance. The EPA's planned corrective actions addressed all of the recommendations and are also developing a new management system that will allow electronic reporting stakeholders to monitor their applications through the review process.

(Report No. 14-P-0143, EPA Needs to Improve Management of the Cross-Media Electronic Reporting Regulation Program in Order to Strengthen Protection of Human Health and the Environment, March 21, 2014)

Information Systems and Data at Risk Due to Insufficient Training

The EPA lacks an information security role-based training program that defines specific training requirements for personnel with significant information security responsibilities.

The E-Government Act of 2002 requires federal agency information technology security personnel to maintain sufficient training and knowledge to conduct their duties. An audit conducted by an independent accounting firm on behalf of the EPA OIG found that implementation of the EPA's information security training program is hindered by inconsistent assignment of information security roles across various EPA offices. The current training program does not consider specific needs of technical and managerial personnel responsibilities for implementing information security. As a result, training may be insufficient to ensure personnel are trained on key information security roles.

The report recommended that the agency define key information security aspects and duties for each security role, provide additional training options, standardize terminology and definition of responsibilities, and provide clearer delineation of responsibilities. The EPA agreed with the recommendations and is taking corrective action.

(Report No. 14-P-0142, EPA's Information Systems and Data Are at Risk Due to Insufficient Training of Personnel With Significant Information Security Responsibilities, March 21, 2014)

EPA's Computer Security Program Should Be Improved

Our annual review of the EPA's implementation of the Federal Information Security Management Act for FY 2013, submitted to OMB, disclosed that improvements should be made.

The EPA has established an agencywide information security program that assesses the security state of information systems that is consistent with requirements. However, the EPA should improve processes for timely remediation of scan result deviations; address risks from an organizational, mission and business, and information system perspective; and obtain sufficient assurance that security controls for contractor systems are effectively implemented and comply with guidelines. We briefed the agency on our results.

(Report No. 14-P-0033, Fiscal Year 2013 Federal Information Security Management Act Report: Status of EPA's Computer Security Program, November 26, 2013)

Investigations

Significant Investigations

Man Gets 14 Years in Prison for Part in New Jersey Kickback Scheme

On March 3, 2014, Gordon D. McDonald, of Berlin, New Jersey, was sentenced in the U.S. District Court of New Jersey to 14 years in prison, followed by 1 year of supervised release, for his involvement in a kickback and bid rigging scheme related to two Superfund sites. In addition, McDonald was ordered to pay a \$50,000 fine. The amount of restitution is pending.

On September 30, 2013, following a 2-week trial, a jury found McDonald—a project manager with Severson Environmental Services Inc.—guilty of engaging in bid rigging, kickback and fraud conspiracies with three subcontractors at two New Jersey Superfund sites—Federal Creosote in Manville and Diamond Alkali in Newark. He also was convicted of engaging in an international money laundering scheme, major fraud against the United States, accepting illegal kickbacks, committing two tax violations and obstruction of justice.

The various conspiracies took place from about December 2000 to April 2007. As part of the conspiracies, McDonald and co-conspirators accepted kickbacks from subcontractors in exchange for the award of subcontracts for the two sites. McDonald provided co-conspirators with bid prices of their competitors, which allowed them to submit higher prices and still be awarded the subcontracts. In exchange for his assistance, McDonald was paid more than \$1.5 million in kickback payments. McDonald also accepted kickbacks in exchange for the award of subcontracts at the Federal Creosote site where he conspired to rig bids and allocate subcontracts at inflated prices for supplies and services.

In a related matter, another person involved in the case was given additional jail time. On October 16, 2013, James E. Haas Jr., a former representative of a New Jersey subcontractor, was sentenced to 6 months in prison to be followed by 24 months of supervised release. He also was ordered to pay his outstanding restitution of \$48,732. Haas already had served 33 months in jail following a February 2010 sentencing, and was given the additional prison time due to parole violations.

To date, nine individuals and three companies have been convicted or pleaded guilty in the ongoing investigation related to the two Superfund sites, and more than \$6 million in criminal fines and restitution have been imposed. The clean-up for the two sites was partly funded by the EPA. Under an interagency agreement between the EPA and the

U.S. Army Corps of Engineers, prime contractors oversaw the removal, treatment and disposal of contaminated soil, as well as other operations, at the sites.

This case is being conducted with the Internal Revenue Service Criminal Investigation Division.

Professor Sentenced to 33 Months in Jail for Grant Fraud

On November 26, 2013, Ademola L. Ejire, a professor at Shaw University in Raleigh, North Carolina, was sentenced in the U.S. District Court for the Eastern District of North Carolina to 33 months in jail to be followed by 24 months of supervised release after pleading guilty to mail fraud. He also was ordered to pay \$470,139 in restitution to the EPA.

From 2001 to 2012, Ejire managed the EPA Research Apprenticeship Program at Shaw University. An EPA grant provided funding for high school students who have an interest in science and math. At the end of the application process, students who meet the academic and attendance criteria in the eighth grade can apply for entry in the program, and 10 to 12 students are chosen to enter the program in the ninth grade.

From 2001 to July 2012, by submitting falsified timesheets, Ejire fraudulently represented that his wife was an employee of Shaw University working as the EPA program coordinator for the EPA grant and that his children were participants in the EPA grant. The scheme enabled Ejire to fraudulently obtain about \$470,000. This misappropriation of the funds provided for the Research Apprenticeship Program not only violated the trust of the American taxpayer, it deprived students an opportunity to receive all of the benefits of the program.

This case was conducted jointly with the FBI and the U.S. Postal Inspection Service.

Florida Contractor Sentenced to Jail for Kickback Scheme

Faustin Denis entered a guilty plea to four counts of conflict of interest/solicitation of a gift and was sentenced to 30 days in jail to be followed by 2 years of probation. The plea was made November 26, 2013, in a Florida court. Denis also was ordered to pay \$25,000 for the costs of the investigation and prosecution.

From 2004 to 2008, Denis, through his company APAC Group, received more than \$22 million in contracts from the city of Opa-Locka, Florida, to do street and sidewalk repairs and maintenance. Some of the funding came from EPA grant funds. APAC allegedly received its contracts through a bribery and money laundering scheme concocted by Opa-Locka's public works director and a city engineering consultant, who demanded kickbacks from Denis. APAC would win contracts from the city because it would put in

unreasonably low bids that did not accurately reflect prices. After the contract started, Denis would put in change orders to increase prices from 150 to 200 percent. That extra money allegedly went into the pockets of Denis and other fraud participants.

Additionally, on February 3, 2014, two other participants entered pleas of nolo contendere to charges of conflict of interest and solicitation of a gift. Each was sentenced to 24 months of probation and ordered to pay \$2,500 to cover the cost of the investigation.

This case is being conducted jointly with the FBI, the Miami-Dade Police Department, and the Miami Dade County Commission on Ethics and Public Trust.

Alaska Tribal Official and Brother Get Jail Terms for Theft

Lori Ann Clum, of Anchorage, Alaska, was sentenced to 18 months in jail, to be followed by 3 years of probation, after pleading guilty to theft from a tribal organization. She also was ordered to pay \$150,000 in restitution. Further, Clum's brother, James Kramer, was sentenced to 8 months in prison, followed by 1 year of probation, and was ordered to pay a \$2,000 fine.

On January 6, 2014, Clum was sentenced in the U.S. District Court of Alaska for theft from the Native Village of Tatitlek. In April 2008, Clum was voted out of office as the President of the village but refused to acknowledge the election. She continued to maintain control over the village bank accounts until April 2009. During this time, she paid herself duplicate paychecks, took significant cash withdrawals, and wrote checks to herself totaling more than \$200,000. This amount included a \$20,000 cash withdrawal that she gave to her brother, James Kramer, which he used for personal expenses. Kramer pleaded guilty on January 17, 2014, to failure to file an income tax return.

The Native Village of Tatitlek receives the majority of its funding from federal sources, including the EPA.

This case was conducted jointly with the FBI and Internal Revenue Service Criminal Investigation Division.

New York Laboratory Fined \$150,000 for Mailing False Results

Upstate Laboratories Inc. of East Syracuse, New York, was fined \$150,000 for falsifying more than 3,300 laboratory results from 2008 through 2010.

After pleading guilty, Upstate Laboratories was sentenced on January 8, 2014, in the U.S. District Court for the Northern District of New York, for committing mail fraud related to the falsification of laboratory results from 2008 through 2010. In addition to the \$150,000 fine, the lab was placed on 5 years' probation. Although Upstate Laboratories

has gone out of business, the court ordered it to prepare an environmental compliance plan and permit government inspections, should it ever resume business operations.

Upstate Laboratories performed chemical analysis of water and soil samples supplied by public and private clients. Certain analyses were required to be performed within specified timeframes (“holding times”) after the samples were obtained due to the potential for chemical degradation. Upstate Laboratories further promised to use required procedures to ensure that the samples did not degrade. However, from 2008 through 2010, Upstate Laboratories engaged in the routine “backdating” of sample results where employees changed the dates when the samples were analyzed to make it appear that analysis had occurred within the required time periods when in fact they had not. Upstate Laboratories thereafter prepared false and fraudulent analysis reports representing that the samples were properly analyzed within required time frames and that the results were valid when they were not.

This case was conducted jointly with the EPA Criminal Investigation Division.

Probation Ordered in Gulf Oil Spill Case for Destroying Evidence

On January 21, 2014, Anthony Badalamenti, of Katy, Texas, was sentenced in the U.S. District Court for the Eastern District of Louisiana to 1 year of probation, 100 hours of community service and a \$1,000 fine for destroying evidence related to the 2010 Gulf of Mexico oil spill.

Badalamenti, a former manager for Halliburton Energy Services Inc., was convicted of destroying evidence in the aftermath of the BP Exploration and Production Inc.’s massive 2010 Deepwater Horizon oil spill in the Gulf of Mexico. Badalamenti was the cementing technology director for Halliburton, BP’s cement contractor on the Deepwater Horizon drilling rig. Badalamenti instructed two Halliburton employees to delete data from separate runs of computer simulations on centralizers, which were used to keep the casing centered in the wellbore. The data could have supported BP’s decision to use six centralizers instead of 21. Halliburton notified the Justice Department about the deletion of the data, which could not be recovered.

The investigation was conducted by the Deepwater Horizon Task Force, which includes investigators from a number of federal and state organizations, including the EPA OIG.

Civil Settlement Reached in Air Sampling Case

A former contractor analyst entered into a \$38,500 civil settlement with the U.S. Attorney's Office, Eastern District of North Carolina, to settle allegations that he improperly conducted laboratory tests.

From June 2006 until January 2010, the analyst was employed by a laboratory that had been contracted by the EPA to analyze air-monitoring samples collected under the Air Toxic Monitoring Initiative. The air samples originated from air monitors located nationwide, including around schools. The laboratory discovered the analyst was manually integrating continuing calibration verifications so that the scientific instruments used to conduct the analysis would pass the quality control requirements. The improper manual integrations allowed the Gas Chromatograph/Mass Spectrometer instruments to pass the quality control requirements while analyzing the air samples. When this situation was discovered, the laboratory fired the analyst and voluntarily reported the discovery to the EPA. Previously, the laboratory reached a \$97,508 civil settlement.

EPA Employee Suspended for Letting Relative Use Laptop

An EPA employee was suspended for 14 days as a result of an investigation into administrative misconduct. The investigation did not disclose evidence to substantiate the allegation that the employee engaged in private business during duty hours or used government resources in furtherance of a private business. However, the investigation did disclose a deliberate computer security violation in that the employee allowed a relative to use his government-issued laptop for personal use. The employee admitted to providing his logon ID and password to his relative and permitted the relative to use his government-issued laptop during off-duty hours to search the Internet.

Significant Reports of Investigation Issued for Action

SES Employee Uses EPA Resources to Conduct Private Business

An OIG Report of Investigation disclosed that a Senior Executive Service (SES)-level employee used EPA resources to operate three private businesses, sold products to EPA colleagues and subordinates, and recommended a friend for employment to a company that had contracted with the EPA. We also noted that a relative of the SES employee, who is also an EPA employee, received cash awards from the subject's operating budget rather than the operating budget of the program office for which the relative was working.

The OIG conducted the investigation of the SES-level employee based on allegations of administrative misconduct. Six allegations were investigated, of which four were substantiated and two were unsubstantiated. On December 20, 2013, the OIG provided a

Report of Investigation to the employee's manager. On February 6, 2014, the manager notified the OIG in writing that she was reviewing the Report of Investigation, working with the Office of General Counsel and OIG investigators, and conducting independent fact finding. Additional investigative material was provided to the manager on February 7 to assist the manager in her decision regarding what action may be appropriate.

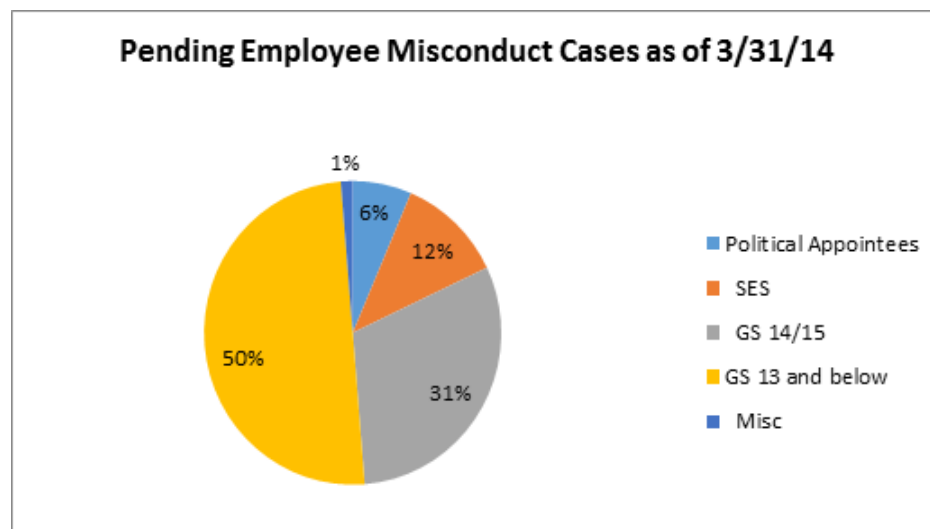
EPA Employee Uses Government Purchase Card to Purchase iPad

An OIG investigation determined that an employee used a government purchase card to purchase an Apple iPad for personal use at a cost of \$805. The investigation concluded that the employee acted alone in this activity and it was an isolated incident, as no additional evidence of malfeasance was discovered. On December 16, 2013, the employee's supervisor was briefed on the facts and circumstances pertaining to the investigation. A Report of Investigation also was provided to the manager, who is considering this matter for possible administrative action.

Closed Employee Integrity Cases

Statistics on employee integrity investigation cases closed during the semiannual reporting period follow.

	Political appointees	SES	GS-14/15	GS-13 and below	Misc	Total
Pending 10/1/13	6	6	18	36	5	71
Open	1	3	7	12	0	23
Closed	2	0	1	9	4	16
Pending 3/31/14	5	9	24	39	1	78



"Misc" includes unknown subjects and contractor employees.

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 the EPA and to make recommendations concerning their impact. We also review drafts of OMB circulars, memorandums, executive orders, program operations manuals, directives and reorganizations. The primary basis for our comments are the audit, evaluation, investigation and legislative experiences of the OIG, as well as our participation on the Council of the Inspectors General on Integrity and Efficiency. During the reporting period, we reviewed 20 proposed changes to legislation, regulations, policy, procedures or other documents that could affect the EPA or the Inspector General, and provided comments on one.

U.S. Chemical Safety and Hazard Investigation Board

The U.S. Chemical Safety and Hazard Investigation Board (CSB) was created by the Clean Air Act Amendments of 1990. The CSB's mission is to investigate accidental chemical releases at facilities, report to the public on the root causes, and recommend measures to prevent future occurrences.



In FY 2004, Congress designated the EPA Inspector General to serve as the Inspector General for the CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect and investigate the CSB's programs, and to review proposed laws and regulations to determine their potential impact on the CSB's programs and operations. Details on our work involving the CSB are available at <http://www.csb.gov/inspector-general>.

CSB Earns Unmodified Opinion on Financial Statements

The firm that audited the CSB's financial statement for FYs 2013 and 2012 on behalf of the EPA OIG rendered an unmodified opinion on the statements, meaning that they were fairly presented and free of material misstatements. The auditing firm found no matters involving CSB internal controls that it considered to be a material weakness, and the firm found no instances of noncompliance. Thus, the report made no recommendations. (*Report No. 14-1-0038, Audit of the U.S. Chemical Safety and Hazard Investigation Board's Fiscal Years 2013 and 2012 Financial Statements, December 16, 2013*)

Statistical Data

Profile of Activities and Results

Audit and evaluation operations OIG reviews	
October 1, 2013 – March 31, 2014 (\$ in millions)	
Questioned costs *	\$30.1
Recommended efficiencies *	\$28.1
Costs disallowed to be recovered	\$0.1
Costs disallowed as cost efficiency	\$0.18
Reports issued by OIG	26
Reports resolved (Agreement by agency officials to take satisfactory corrective actions) **	99

Audit and evaluation operations Reviews performed by Single Audit Act auditors	
October 1, 2013– March 31, 2014 (\$ in millions)	
Questioned costs *	\$9.2
Recommended efficiencies *	\$0.0
Costs disallowed to be recovered	\$6.3
Costs disallowed as cost efficiency	\$0.0
Single Audit Act reviews	130
Agency recoveries	\$0.7
Recoveries from audit resolutions of current and prior periods (cash collections or offsets to future payments) ***	

Investigative Operations	
October 1, 2013– March 31, 2013 (\$ in millions)	
Total Fines and Recoveries ****	\$2.293
Cost Savings	\$0.232
Cases Opened During Period	56
Cases Closed During Period	51
Indictments/Informations of Persons or Firms	24
Convictions of Persons or Firms	10
Civil Judgments/Settlements/Filings	1

* Questioned costs and recommended efficiencies are subject to change pending further review in the audit resolution process.

** Reports resolved are subject to change pending further review.

*** Information on recoveries from audit resolutions is provided by the EPA's Office of Financial Management and is unaudited.

**** Fines and recoveries resulting from joint investigations.

Audit, Inspection and Evaluation Report Resolution

Status report on perpetual inventory of reports in resolution process for semiannual period ending March 31, 2014

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, 2013*	145	\$40,481	\$13,425	\$6,510	\$8,822
B. Which were issued during the reporting period	156	39,310	28,110	6,414	177
C. Which were issued during the reporting period that required no resolution	99	0	0	0	0
Subtotals (A + B - C)	244	79,791	41,535	612,958	8,999
D. For which a management decision was made during the reporting period	156	28,201	3,314	6,414	177
E. For which no management decision was made by March 31, 2014	88	51,590	38,221	6,544	8,822
F. Reports for which no management decision was made within 6 months of issuance	109	27,923	10,111	0	0

* 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.

Table 1: Inspector General-issued reports with questioned costs for semiannual period ending March 31, 2014 (\$ in thousands)

Report category	No. of reports	Questioned costs *	Unsupported costs
A. For which no management decision was made by October 1, 2013 **	31	\$40,481	\$28,238
B. New reports issued during period	10	39,310	9,398
Subtotals (A + B)	41	79,791	37,636
C. For which a management decision was made during the reporting period:	9	28,201	13,466
(i) Dollar value of disallowed costs	4	6,414	6,313
(ii) Dollar value of costs not disallowed	5	21,787	7,153
D. For which no management decision was made by March 31, 2014	24	51,590	24,170
Reports for which no management decision was made within 6 months of issuance	16	27,923	14,771

* Questioned costs include unsupported costs.

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

Table 2: Inspector General-issued reports with recommendations that funds be put to better use for semiannual period ending March 31, 2014 (\$ in thousands)

Report Category	No. of reports	Dollar value
A. For which no management decision was made by October 1, 2013 *	17	\$13,425
B. Which were issued during the reporting period	4	28,110
Subtotals (A + B)	21	41,535
C. For which a management decision was made during the reporting period:	5	12,958
(i) Dollar value of recommendations from reports that were agreed to by management	3	6,414
(ii) Dollar value of recommendations from reports that were not agreed to by management	2	6,544
(iii) Dollar value of nonawards or unsuccessful bidders	0	0
D. For which no management decision was made by March 31, 2014	10	38,221
Reports for which no management decision was made within 6 months of issuance	8	10,111

* Any difference in number of reports and amounts of funds put to better use between this report and our previous semiannual report results from corrections made to data in our audit, inspection and evaluation tracking system.

Audits, inspections, and evaluations with no final action as of March 31, 2014, over 365 days past the date of the accepted management decision (including audits, inspections and evaluations in appeal)

Audits, inspections and evaluations	Total	Percentage
Program	45	58
Assistance agreements	10	13
Contract audits	0	0
Single audits	19	25
Financial statement audits	3	4
Total	77	100

Hotline Activity

The following table shows EPA OIG hotline activity regarding complaints of fraud, waste and abuse in EPA programs and operations during the semiannual reporting period ending March 31, 2014.

	Semiannual period (October 1, 2013 - March 31, 2014)
Issues open at the beginning of the period	132
Inquiries received during the period	119
Inquiries closed during the period	95
Inquiries pending at the end of the period	156
Issues referred to others	
OIG offices	86
EPA program offices	22
Other federal agencies	4
State/local agencies/other	7

To report fraud, waste and abuse, contact us through one of the following methods:

Email: OIG_Hotline@epa.gov

Phone: 1-888-546-8740

Fax: 1-202-566-2599

Online: <http://www.epa.gov/oig/hotline.htm>

Write: EPA Inspector General
1200 Pennsylvania Avenue, NW
Mailcode 2431T
Washington, DC 20460

Summary of Investigative Results

Summary of investigative activity during reporting period

Cases open as of October 1, 2013 *	216
Cases opened during period	56
Cases closed during period	51
Cases pending as of March 31, 2014	221

* Adjusted from prior period.

Investigations pending by type as of March 31, 2014

	Superfund	Management	Split funded	Recovery Act	CSB	Total
Contract fraud	10	14	12	5	0	41
Assistance agreement fraud	0	17	6	10	0	33
Employee integrity	3	30	43	0	2	78
Program integrity	4	16	9	4	0	33
Computer crimes	0	2	6	0	0	8
Threat	0	1	5	0	0	6
Retaliation	0	1	0	0	0	1
Other	3	10	7	1	0	21
Total	20	91	88	20	2	221

Results of prosecutive actions

	EPA OIG only	Joint *	Total
Criminal indictments/informations/complaints	3	21	24
Convictions	1	9	10
Civil judgments/settlements/filings	1	0	1
Deportations	0	0	0
Fines and recoveries (including civil)	\$1,431,993	\$860,202	\$2,292,195
Prison time	32 months	234 months	266 months
Prison time suspended	0 months	0 months	0 months
Home detention	0 months	0 months	0 months
Probation	24 months	252 months	276 months
Community service	200 hours	100 hours	300 hours

* With another federal agency.

Administrative actions

	EPA OIG only	Joint *	Total
Suspensions	7	3	10
Debarments	8	0	8
Other administrative actions	25	2	27
Total	40	5	45
Administrative recoveries	\$2,311	\$148,342	\$150,653
Cost avoidance	\$0	\$232,104	\$232,104

* With another federal agency.

Appendices

Appendix 1—Reports Issued

The Inspector General Act of 1978, as amended, requires a listing, subdivided according to subject matter, of each report issued by the OIG during the reporting period. For each report, where applicable, the Inspector General Act also requires a listing of the dollar value of questioned costs and the dollar value of recommendations that funds be put to better use.

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
PERFORMANCE REPORTS						
14-P-0004	Environmental Benefits in Award of Great Lakes Grants	Nov. 05, 2013	\$0	\$0	\$0	\$0
14-P-0017	Following National Security Information Classification Standards	Nov. 15, 2013	0	0	0	0
14-P-0033	FY 2013 Federal Information Security Management Act Report	Nov. 26, 2013	0	0	0	0
14-P-0036	Controls and Actions Concerning John C. Beale Pay Issues	Dec. 11, 2013	0	0	0	0
14-P-0037	Controls and Actions Concerning John C. Beale Travel	Dec. 11, 2013	0	0	0	0
14-P-0044	Congressional Inquiry on Range Resources Gas Drilling Company	Dec. 20, 2013	0	0	0	0
14-P-0109	Emergency and Rapid Response Service Contracts in Region 6	Feb. 04, 2014	0	0	0	0
14-P-0122	Safeguards for Personally Identifiable Information	Feb. 24, 2014	0	0	0	0
14-P-0123	Complaints Regarding Debris at West, Texas, Plant Explosion Site	Feb. 24, 2014	0	0	0	0
14-P-0128	Oversight of Purchase Cards	Mar. 04, 2014	0	0	0	79,000
14-P-0129	Biennial User Fee Reviews	Mar. 04, 2014	0	0	0	17,800,000
14-P-0131	NASDARF Compliance Related to Pesticide Education Programs	Mar. 10, 2014	689,950	0	0	0
14-P-0132	National Service Center Environmental Publications, Blue Ash, Ohio	Mar. 11, 2014	0	0	0	0
14-P-0142	EPA's Information Systems and Data and Security Responsibilities	Mar. 21, 2014	0	0	0	0
14-P-0143	Cross-Media Electronic Reporting Regulation Program	Mar. 21, 2014	0	0	0	0
14-P-0154	Policies and Guidance for Protecting Human Study Subjects	Mar. 31, 2014	0	0	0	0
14-P-0155	EPA Oversight of Beach Safety in U.S. Virgin Islands	Mar. 31, 2014	0	0	0	0
	TOTAL PERFORMANCE REPORTS = 17		\$689,950	\$0	\$0	\$17,879,000
SINGLE AUDIT REPORTS						
14-3-0001	Delbarton, West Virginia, Municipality of - FY 2012	Nov. 05, 2013	\$0	\$0	\$0	\$0
14-3-0002	Moundsville, West Virginia, Municipality of - FY 2012	Nov. 05, 2013	0	0	0	0
14-3-0003	Sun Valley Public Service District, West Virginia - FY 2012	Nov. 05, 2013	0	0	0	0
14-3-0005	Puerto Rico Aqueduct and Sewer Authority - FY 2012	Nov. 06, 2013	0	0	0	0
14-3-0006	Northern Mariana Islands, Commonwealth of the - FY 2011	Nov. 06, 2013	48,670	0	0	0
14-3-0007	Bloomington, Illinois, City of - FY 2012	Nov. 12, 2013	0	0	0	0
14-3-0008	Ironton, Ohio, City of - FY 2011	Nov. 12, 2013	0	0	0	0
14-3-0009	Ottawa, Illinois, City of - FY 2012	Nov. 12, 2013	0	0	0	0
14-3-0010	Dayton, Ohio, University of - FY 2012	Nov. 12, 2013	0	0	0	0
14-3-0011	Benton Harbor, Michigan, City of - FY 2012	Nov. 12, 2013	0	0	0	0
14-3-0012	Lansing, Michigan, City of - FY 2012	Nov. 12, 2013	0	0	0	0
14-3-0013	Great Lakes Commission, Michigan - FY 2012	Nov. 12, 2013	0	0	0	0
14-3-0014	Blue Island, Illinois, City of - FY 2012	Nov. 13, 2013	0	0	0	0
14-3-0015	Southfield, Michigan, City of - FY 2012	Nov. 14, 2013	0	0	0	0
14-3-0018	Southwest Detroit Environmental Project, Michigan - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0019	Park Forest, Illinois, Village of - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0020	Cass County, Missouri, Public Water Supply District #10 of	Nov. 18, 2013	0	0	0	0
14-3-0021	Marquette, Michigan, City of - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0022	Clean Fuels Ohio, Ohio - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0023	Grand Valley Metropolitan Council, Michigan - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0024	Downriver Community Conference, Michigan - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0025	Oconto Falls, Wisconsin, City of - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0026	Machias, Maine, Town of - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0027	Winchester, Connecticut, Town of - FY 2011	Nov. 18, 2013	0	0	0	0
14-3-0028	Leominster, Massachusetts, City of - FY 2011	Nov. 18, 2013	0	0	0	0
14-3-0029	Chattahoochee Valley Water Supply District, Alabama - FY 2012	Nov. 18, 2013	0	0	0	0
14-3-0030	Taunton, Massachusetts, City of - FY 2012	Nov. 19, 2013	32,273	0	0	0
14-3-0031	Clayton-Camp Point Water Commission, Illinois - FY 2012	Nov. 19, 2013	0	0	0	0
14-3-0034	New Haven, West Virginia, Municipality of - FY 2012	Dec. 10, 2013	0	0	0	0
14-3-0035	New Bedford Harbor Develop. Commission, Massachusetts - FY 2012	Dec. 10, 2013	0	0	0	0
14-3-0043	Cape Charles, Virginia, Municipal Corporation of - FY 2012	Dec. 17, 2013	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
14-3-0045	Brawley, California, City of - FY 2012	Dec. 20, 2013	0	0	0	0
14-3-0046	Fort Bend Fresh Water Supply District No. 1, Texas - FY 2012	Dec. 20, 2013	0	0	0	0
14-3-0047	Neosho, Missouri, City of - FY 2012	Dec. 20, 2013	0	0	0	0
14-3-0048	Missouri System, Missouri, University of - FY 2012	Dec. 20, 2013	0	0	0	0
14-3-0049	Gardner, Kansas, City of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0050	Pearl River, Louisiana, Town of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0051	Stockton, Missouri, City of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0052	Trenton, New Jersey, City of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0053	Boston Redevelopment Authority, Massachusetts - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0054	Los Angeles Department of Water and Power, California - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0055	Titusville, Florida, City of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0056	Jackson County Commission, Alabama - FY 2011	Dec. 30, 2013	0	0	0	0
14-3-0057	Portland, Indiana, City of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0058	Saint Paul Regional Water Services, Minnesota - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0059	Central Iron Range Sanitary Sewer District, Minnesota - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0060	Unadilla, New York, Village of - FY 2011	Dec. 30, 2013	0	0	0	0
14-3-0061	Cayuga County Water and Sewer Authority, New York - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0062	Paynesville, Minnesota, City of - FY 2012	Dec. 30, 2013	0	0	0	0
14-3-0063	Montville, Connecticut, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0064	Conservation Law Foundation Inc., Massachusetts - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0065	St. Croix Chippewa Indians of Wisconsin, Wisconsin - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0066	Alexander City, Alabama, City of - FY 2011	Dec. 31, 2013	0	0	0	0
14-3-0067	Valley, Alabama, City of - FY 2011	Dec. 31, 2013	0	0	0	0
14-3-0068	Houghton-Keweenaw Conservation District, Michigan - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0069	Howey-In-The-Hills, Florida, Town of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0070	Moultrie, Georgia, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0071	Two Harbors, Minnesota, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0072	Jones County, Georgia - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0073	Somerset, Kentucky, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0074	Western Mason Water District, Kentucky - FY 2010	Dec. 31, 2013	0	0	0	0
14-3-0075	Wadena, Minnesota, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0076	Bayfield, Wisconsin, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0077	Freeport, Illinois, City of - FY 2012	Dec. 31, 2013	0	0	0	0
14-3-0078	Lewisburg, West Virginia, Municipality of - FY 2012	Jan. 03, 2014	0	0	0	0
14-3-0079	Southwestern Water District, West Virginia - FY 2012	Jan. 03, 2014	0	0	0	0
14-3-0080	Branch County, Michigan	Jan. 06, 2014	0	0	0	0
14-3-0081	Tulare, California, City of - FY 2012	Jan. 06, 2014	0	0	0	0
14-3-0082	Allegan, Michigan, City of - FY 2012	Jan. 06, 2014	0	0	0	0
14-3-0083	Greater Portland Council of Governments, Maine - FY 2011	Jan. 06, 2014	0	0	0	0
14-3-0084	Leelanau County, Michigan FY 2012	Jan. 06, 2014	0	0	0	0
14-3-0085	Emory University, Georgia - FY 2012	Jan. 06, 2014	0	0	0	0
14-3-0086	Barrackville, West Virginia, Town of - FY 2012	Jan. 07, 2014	0	0	0	0
14-3-0087	Southwestern Pennsylvania Water Authority, Pennsylvania - FY 2012	Jan. 07, 2014	0	0	0	0
14-3-0089	Oakdale, Louisiana, City of - FY 2012	Jan. 14, 2014	0	0	0	0
14-3-0090	Pleasant Point Passamaquoddy Tribal Council, Maine - FY 2011	Jan. 14, 2014	18,000	0	0	0
14-3-0091	Melbourne, Florida, City of - FY 2012	Jan. 14, 2014	0	0	0	0
14-3-0092	Cullman, Alabama, City of - FY 2012	Jan. 14, 2014	0	0	0	0
14-3-0093	Partners Healthcare Systems and Affiliates, Massachusetts - FY 2012	Jan. 15, 2014	0	0	0	0
14-3-0094	Duluth, Minnesota, City of - FY 2012	Jan. 27, 2014	0	0	0	0
14-3-0095	Madison Lake, Minnesota, City of - FY 2012	Jan. 27, 2014	0	0	0	0
14-3-0096	Mountain Lake, Minnesota, City of - FY 2012	Jan. 27, 2014	0	0	0	0
14-3-0097	New Richland, Minnesota, City of - FY 2012	Jan. 27, 2014	0	0	0	0
14-3-0098	Newfolden, Minnesota, City of - FY 2012	Jan. 27, 2014	0	0	0	0
14-3-0099	Puerto Rico, Environmental Quality Board, Commonwealth of	Jan. 27, 2014	493,099	8,592,959	0	0
14-3-0100	Commonwealth Utilities Corporation, MP - FY 2012	Jan. 27, 2014	0	0	0	0
14-3-0101	U.S. Virgin Islands - FY 2011	Jan. 27, 2014	0	0	0	0
14-3-0102	New Albany, Indiana, Civil City of - FY 2011	Jan. 28, 2014	0	0	0	0
14-3-0103	Allegan County, Michigan - FY 2012	Jan. 28, 2014	0	0	0	0
14-3-0104	Bogalusa, Louisiana, City of - FY 2012	Jan. 29, 2014	0	0	0	0
14-3-0105	Canby, Minnesota, City of - FY 2012	Jan. 29, 2014	0	0	0	0
14-3-0106	Clinton, Iowa, City of - FY 2012	Jan. 29, 2014	0	0	0	0
14-3-0107	Huntingdon, Pennsylvania, Borough of - FY 2012	Jan. 31, 2014	0	0	0	0
14-3-0108	Passenger Vessel Association Inc. - FY 2014	Jan. 31, 2014	0	0	0	0
14-3-0110	Maryland Coastal Bays Foundation Inc., Maryland - FY 2012	Feb. 07, 2014	0	0	0	0
14-3-0111	Smyrna, Delaware, Town of - FY 2012	Feb. 07, 2014	0	0	0	0
14-3-0112	Stewart, Minnesota, City of - FY 2012	Feb. 14, 2014	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
14-3-0113	Virginia, Minnesota, City of - FY 2012	Feb. 14, 2014	0	0	0	0
14-3-0114	Community Action Duluth, Minnesota - FY 2012	Feb. 14, 2014	0	0	0	0
14-3-0115	Brooke County Public Service District-Sewer, West Virginia - FY 2012	Feb. 14, 2014	0	0	0	0
14-3-0116	Friends of the Cheat Inc., West Virginia - FY 2012	Feb. 14, 2014	0	0	0	0
14-3-0117	Whitemarsh Township, Pennsylvania - FY 2010	Feb. 18, 2014	0	0	0	0
14-3-0118	Winnebago, Minnesota, City of - FY 2012	Feb. 18, 2014	0	0	0	0
14-3-0119	Austin, Texas, City of - FY 2012	Feb. 19, 2014	0	0	0	0
14-3-0120	Cornell, Wisconsin, City of - FY 2012	Feb. 19, 2014	0	0	0	0
14-3-0121	Illinois, Illinois, University of - FY 2012	Feb. 20, 2014	0	0	0	0
14-3-0124	Caddo Mills, Texas, City of - FY 2012	Feb. 26, 2014	0	0	0	0
14-3-0125	Lake Livingston Water Supply/Sewer Service Corp., Texas - FY 2012	Feb. 26, 2014	0	0	0	0
14-3-0126	Baxter, Iowa, City of FY 2012	Feb. 26, 2014	0	0	0	0
14-3-0127	Topeka, Kansas, City of - FY 2011	Feb. 26, 2014	0	0	0	0
14-3-0133	UNO Research and Technology Foundation, Inc., Louisiana - FY 2012	Mar. 17, 2014	0	0	0	0
14-3-0134	Oconto County, Wisconsin - FY 2012	Mar. 17, 2014	0	0	0	0
14-3-0135	Necedah, Wisconsin, Village of - FY 2012	Mar. 17, 2014	0	0	0	0
14-3-0136	Grand Portage Band of Chippewa Indians, Minnesota - FY 2012	Mar. 19, 2014	0	0	0	0
14-3-0137	Lower Sioux Indian Community, Minnesota - FY 2012	Mar. 19, 2014	0	0	0	0
14-3-0138	Highland County, Ohio - FY 2012	Mar. 19, 2014	0	0	0	0
14-3-0139	New Lisbon, Wisconsin, City of - FY 2012	Mar. 19, 2014	0	0	0	0
14-3-0140	Forest County Potawatomi Community, Wisconsin - FY 2012	Mar. 19, 2014	5,243	0	0	0
14-3-0141	Questa, New Mexico, Village of - FY 2012	Mar. 19, 2014	0	0	0	0
14-3-0144	Logansport, Louisiana, City of - FY 2012	Mar. 24, 2014	0	0	0	0
14-3-0145	Rensselaer, Indiana, City of - FY 2012	Mar. 24, 2014	0	0	0	0
14-3-0146	Redevelop. Authority Montgomery County, Pennsylvania - FY 2012	Mar. 25, 2014	0	0	0	0
14-3-0147	Marysville, Pennsylvania, Borough of - FY 2012	Mar. 25, 2014	0	0	0	0
14-3-0148	Freedom Township Water/Sewer Authority, Pennsylvania - FY 2012	Mar. 25, 2014	0	0	0	0
14-3-0149	Loyalsock Township, Pennsylvania - FY 2012	Mar. 25, 2014	0	0	0	0
14-3-0150	Mansfield, Louisiana, City of - FY 2012	Mar. 26, 2014	0	0	0	0
14-3-0151	Minneapolis Park and Recreation Board, Minnesota - FY 2012	Mar. 26, 2014	0	0	0	0
14-3-0152	North Koochiching Area Sanitary District, Minnesota - FY 2012	Mar. 26, 2014	0	0	0	0
14-3-0153	Batesville, Arkansas, City of - FY 2012	Mar. 28, 2014	0	0	0	0
14-3-0156	Mid-Atlantic Regional Air Management Assoc., Maryland - FY 2012	Mar. 31, 2014	0	0	0	0
TOTAL SINGLE AUDIT REPORTS = 130			\$597,285	\$8,592,959	\$0	\$0
FINANCIAL STATEMENT REPORTS						
14-1-0038	CSB Fiscal Years 2013 and 2012 Financial Statements	Dec. 16, 2013	\$0	\$0	\$0	\$0
14-1-0039	EPA Fiscal Years 2013 and 2012 Financial Statements	Dec. 16, 2013	0	0	0	0
14-1-0041	FY 2012 Pesticides Reregistration and Expedited Processing Fund	Dec. 17, 2013	0	0	0	0
14-1-0042	FY 2012 Pesticides Registration Fund	Dec. 17, 2013	0	0	0	0
TOTAL FINANCIAL STATEMENT REPORTS = 4			\$0	\$0	\$0	\$0
ATTESTATION REPORTS						
14-4-0040	Dozier Technologies Inc. Support Services Contract	Dec. 17, 2013	\$0	\$0	\$0	\$0
TOTAL ATTESTATION REPORTS = 1			\$0	\$0	\$0	\$0
NON-AUDIT REPORTS						
14-N-0016	Compendium of Unimplemented Recommendations as 9/30/13	Nov. 15, 2013	\$0	\$0	\$0	\$0
TOTAL NON-AUDIT REPORTS = 1			\$0	\$0	\$0	\$0
AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 REPORTS						
14-R-0032	Colorado Treating Mining Wastes and Removing Water Contaminants	Nov. 19, 2013	\$2,593,495	\$0	\$0	\$0
14-R-0088	Grant Awarded to Greater Lansing Area Clean Cities	Jan. 09, 2014	0	805,759	0	0
14-R-0130	Grant Awarded to California Air Resources Board	Mar. 06, 2014	8,866,000	0	0	0
TOTAL AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 REPORTS = 3			\$11,459,495	\$805,759	\$0	\$0
TOTAL REPORTS ISSUED = 156			\$12,746,730	\$9,398,718	\$0	\$17,879,000

Appendix 2—Reports Issued Without Management Decisions

For Reporting Period Ended March 31, 2014

The Inspector General Act of 1978, as amended, requires a summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period, an explanation of the reasons such management decision had not been made, and a statement concerning the desired timetable for achieving a management decision on each such report. OMB Circular A-50 requires resolution within 6 months of a final report being issued. In this section, we report on audits with no management decision or resolution within 6 months of final report issuance. In the summaries below, we note the agency's explanation of the reasons a management decision has not been made, the agency's desired timetable for achieving a management decision, and the OIG follow-up status as of March 31, 2014.

Office of Administration and Resources Management

Report No. 10-P-0112, Results of Hotline Complaint Review of EPA Region 9 Hiring Under the Federal Career Intern Program, April 26, 2010

Summary: The hotline allegations against EPA Region 9 were unsubstantiated. We identified that the region engaged in a prohibited personnel practice. Neither the Office of Personnel Management nor the EPA prohibits the use of a job fair and registration code as recruiting and hiring methods. However, Region 9 engaged in a prohibited personnel practice by giving four Federal Career Intern Program job fair participants improper advantages not provided to others attending the job fair.

Agency Explanation: A revised corrective action plan has been created by the Office of Administration and Resources Management to address the outstanding recommendations. The memo was sent to the OIG on April 1, 2014. The revised corrective action plan addressed both corrective actions (2-1 completed February 19, 2014, and 3-1 completed September 30, 2013). The memo thus certifies that all actions have been completed. Upon acceptance by the OIG, the Office of Administration and Resources Management will send a formal certification memo to the Chief Financial Officer.

OIG Follow-Up Status: None provided.

Report No. 11-P-0722, EPA Should Prepare and Distribute Security Classification Guides, September 29, 2011

Summary: This report evaluated the scope and nature of the EPA's classified national security information infrastructure and its ability to provide information to those who need it. The OIG found that the EPA has not established any official classification guides even though EPA Administrators have taken original classification actions. The EPA's National Security Information Handbook requires that a classification guide be developed for each system, plan, program or project that involves classified information. The OIG recommended that the Administrator ensure the preparation, review and approval of appropriate security classification guides that conform to the requirements of Executive Order 13526, *Classified National Security Information*, and the EPA's National Security Information Handbook. We also recommended that the Administrator ensure the distribution of classification guides to users of the EPA's originally classified information and to program offices that work in related subject areas. The Office of Administration and Resources Management, which responded on behalf of the agency, did not agree with the report's conclusions and the recommendations are unresolved.

Agency Explanation: This audit is currently on hold per the OIG in order for the National Homeland Security Research Center to determine what classification guides should be used.

OIG Follow-Up Status: Resolution on hold – beyond agency control.

Report No. 13-P-0398, Improved Contract Administration Needed for Customer Technology Solutions Contract, September 16, 2013

Summary: This review found that the EPA did not use performance standards to measure cost outcomes, as stated by OMB, Federal Acquisition Regulations and agency guidelines. Also, the EPA did not complete any of the required contractor performance evaluation reports, maintain required contract administration documents, or have policies in place that would require performance metrics and standards to be linked to cost outcomes and procedures to ensure

contract administrators maintain sufficient documents in the official contract files. The EPA's ineffective contract administration may have hindered the ability of EPA staff to ensure that the contractor successfully met agency needs, as well as its ability to determine whether the EPA achieved the best value for the \$85 million expended on the Working Capital Fund contract.

Agency Explanation: Due to disagreements between the agency and the OIG on several of the recommendations, audit resolution meetings are continuing to be held to determine whether the sides can come to a mutual agreement on how to proceed. Per information from Office of General Counsel attorneys on March 28, 2014, they have not met with OIG counsel on the outstanding issues, but anticipate reaching out to them in April 2014.

OIG Follow-Up Status: None provided.

Office of Grants and Debarment

Report No. 12-3-0007, Cascade Sierra Solutions, Eugene, Oregon – FY 2010, October 11, 2011

Summary: This review found that internal controls over project/customer file documentation are deficient. It was difficult for the recipient to timely substantiate evidence of compliance for installation of verified technologies for EPA and U.S. Department of Energy grants. The review also found that personnel had limited knowledge of generally accepted accounting principles, specifically as they relate to accounting for financial receivables, loan fees and allowance for losses. Due to the internal control findings reported by the single auditor and the inability of the recipient's accounting system to ensure that federal costs are allowable under its grants, we questioned \$2,767,077 in reported EPA federal expenditures.

Agency Explanation: Resolution is on hold and beyond agency control.

OIG Follow-Up Status: Resolution is on hold and beyond agency control.

Report No. 12-4-0224, Examination of Costs Claimed Under Cooperative Agreement X7-83325501 Awarded to Kathleen S. Hill, January 23, 2012

Summary: We found that the recipient did not have a financial management system that met federal standards. The recipient did not have adequate controls to ensure that costs claimed were in accordance with Code of Federal Regulations requirements. The recipient's cash draws did not comply with 40 Part 30 requirements or the terms and conditions of the cooperative agreement. As a result, we questioned \$80,721 of the \$726,587 claimed under the cooperative agreement.

Agency Explanation: The National Policy, Training and Compliance Division Deputy Director issued the Office of Grants and Debarment's management decision on March 31, 2014. Of the questioned \$80,721 in costs, \$46,940 were determined to be allowable and the remaining \$33,781 to be disallowed. The recipient will have 30 days to appeal the decision.

OIG Follow-Up Status: No response.

Report No. 12-R-0749, Examination of Costs Claimed Under EPA Cooperative Agreement 2A-83440701 Awarded Under the Recovery Act to Cascade Sierra Solutions, Eugene, Oregon, September 4, 2012

Summary: Cascade Sierra Solutions' financial management system did not support that funds drawn are reasonable and allocable in accordance with applicable laws and regulations. In particular, the grantee's financial management system pertaining to cash draws, revolving fund accounting, project costs and progress reporting did not meet the requirements of the Code of Federal Regulations, and procurements did not meet competition cost and price analysis requirements. Reporting of the number of jobs created or retained with Recovery Act funds did not comply with the OMB guidance. As a result, we were unable to provide an opinion on the financial resources, related liabilities, revenue, expenses and residual balances. Therefore, we questioned the \$9 million drawn as unallowable costs.

Agency Explanation: Resolution on hold.

OIG Follow-Up Status: Resolution is on hold and beyond agency control.

Report No. 13-3-0121, Cascade Sierra Solutions, Eugene, Oregon – FY 2011, January 29, 2013

Summary: The single auditor reported growing concern regarding issues with the recipient. We continue to recommend that the recipient maintain high risk status. We also questioned all EPA expenditures, totaling almost \$3 million, due to significant compliance issues, including the recipient's ability to account for its Clean Diesel Revolving Loan expenditures.

Agency Explanation: Resolution is suspended as of July 10, 2013, due to the OIG's ongoing investigation of Cascade Sierra Solutions.

OIG Follow-Up Status: Resolution is on hold and beyond agency control.

Report No. 13-P-0341, Lead Remediation Association of America, August 6, 2013

Summary: The OIG found that the Lead Remediation Association of America's financial management system did not meet the standards established under the Code of Federal Regulations. The association's accounting system data were not updated timely. The association also made cash draws and submitted its final federal financial report using the grant budget amounts rather than actual costs incurred. In addition, the association did not maintain source documentation to support the costs incurred or claimed as required. We also found that the association did not meet the grant objectives as outlined in the approved workplan. As of the date of OIG's report—2 years after the grant period end date of June 30, 2011—the association had not produced the required DVDs, provided evidence of brochure distribution, or completed the required training and workshops. As a result of the issues noted, the OIG questioned the \$249,870 claimed and recommended recovery of the \$249,882 drawn under the grant.

Agency Explanation: Resolution on hold. The OIG contacted the Office of Grants and Debarment and requested that it suspend work on this audit due to an OIG investigation of the Lead Remediation Association of America.

OIG Follow-Up Status: Resolution is on hold and beyond agency control.

Financial Analysis and Rate Negotiation Service Center**Report No. 06-4-00165, National Academy of Sciences—FY 2006 Indirect/Other Direct Costs System, September 27, 2006**

Summary: In the Defense Contract Audit Agency's (DCAA's) opinion, the contractor's service centers cost system and related internal control policies and procedures were inadequate in part. DCAA's examination noted certain significant deficiencies in the design or operation of the Indirect/Other Direct Costs system process.

Agency Explanation: Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

OIG Follow-Up Status: Resolution on hold pending receipt of additional information.

Report No. 07-1-00061, Lockheed Martin Services Group—FY 12/31/2004 I/C, April 10, 2007

Summary: DCAA questioned \$34,708,911 in claimed direct costs and proposed indirect costs. Further, DCAA did not audit \$338,864,655 in claimed direct and indirect costs for assist audits not yet received or for received assist audit reports, the impact of which on the contractor's cost objectives has not yet been calculated. Additionally, DCAA upwardly adjusted \$48,224,805 in claimed base costs. The EPA's share of the questioned costs totals \$694,178. DCAA did not provide any Cumulative Allowable Cost Work Sheet or Schedule of Allowable Costs by Cost Element by Contract because the most current year with negotiated indirect rates is calendar year 1998. DCAA will issue a supplemental audit report upon completion of its analysis of the assist audit results, and as the outstanding fiscal years' indirect rates are negotiated, the requested Cumulative Allowable Cost Work Sheet and Schedule of Allowable Costs by Cost Element by Contract will be provided.

Agency Explanation: Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

OIG Follow-Up Status: Resolution on hold pending receipt of additional information.

Report No. 07-1-00080, Lockheed Martin Services Inc.—FY 2005 Incurred Cost, August 6, 2007

Summary: DCAA questioned \$595,792,539 in claimed direct costs and \$10,982,460 in proposed indirect costs and rates. None of the questioned direct costs are chargeable to any of the EPA contracts. A number of the EPA contracts have indirect ceiling rates that are lower than the contractor's proposed indirect rates, and are not impacted by the questioned indirect expenses and rates. However, there are EPA contracts/subcontracts that do not have indirect ceiling rates and are impacted by the questioned indirect rates. EPA's share of questioned indirect costs totals \$133,069.

Agency Explanation: Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

OIG Follow-Up Status: Resolution on hold pending receipt of additional information.

Report No. 09-1-0034, Lockheed Martin Services Group—FY 2006 Incurred Cost, November 24, 2008

Summary: DCAA questioned \$23,672,344 in claimed direct and proposed indirect costs and rates. Of this, \$381,582 is claimed direct costs and \$23,290,762 is proposed indirect costs and rates. DCAA also did not audit \$159,778,286 in claimed subsidiary and subcontracts costs. The EPA's share of the questioned costs is 3 percent, or \$11,448 in claimed direct costs and \$698,722 in proposed indirect costs, a total of \$710,170.

Agency Explanation: Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

OIG Follow-Up Status: Resolution on hold pending receipt of additional information.

Region 1—Regional Administrator**Report No. 13-3-0360, Malden, Massachusetts, City of – FY 2012, August 23, 2013**

Summary: This review found significant deficiencies in payroll processing. There were many instances of employees assigned to federal and state grants that were initially charged to incorrect accounts in the general ledger, requiring significant allocation adjustments to properly charge the grant funds. Also, the city submitted the same vendor invoices for reimbursement on two separate federal awards. The auditors questioned \$970,000.

Agency Explanation: Region 1's Audit Follow-up Coordinator worked with the Region 1 State Revolving Fund program to acquire and review the financial records pertaining to the \$970,000 questioned costs. Costs have been reconciled. Region 1 is working with the recipient to ensure it has written procedures in place so that this scenario will not occur in the future. This audit should be closed out no later than April 30, 2014.

OIG Follow-Up Status: None provided.

Report No. 13-3-0362, Gloucester, Massachusetts, City of – FY 2012, August 28, 2013

Summary: This review found that the city of Gloucester did not obtain debarment certifications or check the excluded parties list system for the vendor contracted with in excess of \$25,000. The equipment purchased with the congressionally mandated project funds do not contain federal identification tags to segregate them from the equipment purchased with state or local funds. Additionally, the city's federal grant equipment records do not contain all of the required information as prescribed in OMB Circular A-102.

Agency Explanation: Region 1 is working with the recipient to ensure all that corrective actions have been implemented. Region 1 anticipates that this item will be closed by May 30, 2014.

OIG Follow-Up Status: None provided.

Report No. 13-3-0369, State of Rhode Island and Providence Plantation – FY 2012, August 30, 2013

Summary: The University of Rhode Island had two contracts that did not meet the cost-sharing requirements by the end of the contract term. The total amount of cost-sharing not met during FY 2012 was \$31,873. Many of the intended benefits for improved efficiency, enhanced management information, and reduced incompatibility and redundancy of accounting applications throughout state government have not been achieved. Also, the state did not have adequate segregation of duties over cash receipts and disbursements, and the state needed to improve its

internal controls over recording federal revenue. Controls over capital assets can be enhanced. Although the development of a comprehensive information systems security plan was a significant accomplishment, the state is still deficient in ensuring that all of its critical information systems are compliant with formalized policies and procedures. Strong change management controls are needed to ensure that standardized methods and procedures are used for efficient handling of all application-specific changes.

Agency Explanation: The recipient has complied with all corrective actions and Region 1 said that it expects this item will be closed out by April 2014.

OIG Follow-Up Status: None provided.

Region 4—Regional Administrator

Report No. 12-4-0499, Costs Claimed by the North Carolina Rural Economic Center Inc. Under EPA Grant No. X96418405, May 23, 2012

Summary: This review found that the grantee did not comply with the Code of Federal Regulations regarding financial management. The grantee did not properly allocate direct costs between state and federal funding sources. Therefore, the EPA should recover \$1,192,500 in costs questioned under the grant. The grantee failed to properly allocate the questioned costs primarily because the EPA provided incorrect guidance and inadequately monitored the grant. The region must recognize that the \$178,556 budget revision it directed is not allocable to the EPA grant because it shifted subcontract costs allocable to state funding sources to the EPA grant. Additionally, the grantee was unfamiliar with federal grant regulations. We recommended that Region 4 disallow all costs paid under the grant and recover \$1,192,500. Region 4 and the grantee disagreed with our draft findings and recommendation. We evaluated the information contained in their responses to our draft report, but did not modify our findings or recommendation. The recommendation is unresolved with resolution efforts in progress.

Agency Explanation: Two of the three corrective actions have been completed. The third corrective action required Region 4 to request the grantee to submit the methodology for accounting for the allocation of costs among state and federal funding sources for the full project costs. The region has reviewed the revised allocations and determined that the costs charged to the EPA were reasonable, allowable, supported by appropriate documentation and allocable to the EPA. On September 5, 2013, Region 4 responded to the OIG with this additional information. Region 4 is awaiting its review by the OIG. Region 4 expects resolution by June 30, 2014.

OIG Follow-Up Status: Response received and under review.

Report No. 13-R-0321, Projected Emission Reductions Overstated and Buy American Requirements Not Met Under EPA Award to the Tennessee Department of Transportation, July 19, 2013

Summary: This review found that the Tennessee Department of Transportation followed most applicable laws, regulations, and terms and conditions of the cooperative agreement in the procurement and monitoring of contracts with the exception of the Buy American requirements of the American Recovery and Reinvestment Act. Tennessee did not determine whether trusses used in construction of facilities by one contractor qualify as substantial transformation. The state complied with the cooperative agreement requirements and satisfied EPA Region 4 requirements for projecting results, but the state overstated its results because it used significantly overestimated usage assumptions in its projections rather than current usage.

Agency Explanation: Resolution on hold.

OIG Follow-Up Status: Resolution on hold awaiting additional information.

Region 6—Regional Administrator

Report No. 13-4-0296, Labor-Charging Practices at the New Mexico Environment Department, June 17, 2013

Summary: This review found that three of the four New Mexico Environment Department bureaus did not always comply with requirements found in the Code of Federal Regulations. The Air Quality Bureau and Drinking Water Bureau charged labor, fringe benefits and indirect costs to federal grants based upon budget allocations instead of actual activities performed. Personnel activity reports received from the Surface Water Quality Bureau to support charges for labor costs incurred prior to July 2006 did not meet requirements. New Mexico personnel stated that they charged labor based upon budget allocations because they thought the practice was acceptable. EPA OIG questioned \$298,159 in labor, fringe benefits and related indirect costs claimed by the Air Quality Bureau; \$2,974,318

claimed by Drinking Water Bureau; and \$2,733,798 claimed by Surface Water Quality Bureau. The OIG also identified an additional \$486,305 charged to a Drinking Water Bureau-administered grant which has not yet been reported to the EPA.

Agency Explanation: A management decision was issued to the New Mexico Environment Department on February 7, 2014. The issuance was delayed due to the complexity of the labor-charging finding. The expected resolution date is December 31, 2014.

OIG Follow-Up Status: None provided.

Region 7—Regional Administrator

Report No. 13-R-0367, American Recovery and Reinvestment Act Award to Grace Hill Settlement House, August 30, 2013

Summary: This review found that Grace Hill's financial management system did not meet federal standards. In particular, procurements did not meet the competition or cost and price analysis requirements of the Code of Federal Regulations. The contract administration system also did not meet the code's requirements. Unallowable costs were not segregated and financial management data were not properly supported, labor charges did not comply with requirements, and cash draws did not meet the immediate cash needs requirements and were not properly documented. As a result of the issues noted, the OIG questioned \$1,615,353 of the \$2,250,031 claimed under the cooperative agreement. In addition, due to a lack of adequate documentation from Grace Hill, we were unable to determine whether Grace Hill accomplished the objective of the cooperative agreement or met the job reporting requirements of the American Recovery and Reinvestment Act's Section 1512.

Agency Explanation: As of March 31, 2014, EPA Region 7 continues to work through the numerous findings with personnel from the OIG, and continues to assess the vast quantity of documentation provided by the grantee in response to the draft and final reports. Due to the complex nature of the findings, as evidenced by the 22 months the OIG worked on the audit, a final determination has not yet been reached. Region 7 anticipates a final determination, with OIG concurrence, to be issued by June 30, 2014.

OIG Follow-Up Status: None provided.

Region 8—Regional Administrator

Report No. 2007-4-00078, Cheyenne River Sioux Tribe, September 24, 2007

Summary: The tribe did not comply with the financial and program management standards under the Code of Federal Regulations and OMB Circular A-87. We questioned \$3,101,827 of the \$3,736,560 in outlays reported. The tribe's internal controls were not sufficient to ensure that outlays reported complied with federal cost principles, regulations and grant conditions. In some instances, the tribe also was not able to demonstrate that it had completed all work under the agreements and had achieved the intended results.

Agency Explanation: The Office of Grants and Debarment and the region are discussing contents of the proposed final determination letter. Projected completion date is September 30, 2014.

OIG Follow-Up Status: No response received.

Region 9—Regional Administrator

Report No. 13-3-0159, Summit Lake Paiute Tribe, Nevada – FY 2010, February 19, 2013

Summary: The tribe did not file or maintain documentation of compliance for annual reports. Also, the required SF 425 report did not cover the correct period. A similar finding was noted in the prior year audit report. The tribe recorded deferred revenues in the amount of \$804,104 and only \$150,416 in available cash. The single auditor questioned \$653,688. A similar finding was noted in the prior year audit report. The tribe's operating practices did not reflect the processes described in the approved policies and procedures manual. The tribe did not properly reconcile its SF 425 report to the general ledger for certain awards and the single auditor questioned \$20,556. The single auditor also questioned \$76,216 involving amounts paid to the General Assistance Program Director.

Agency Explanation: Region 9 indicated it will be issuing a final decision letter on the agreed-upon procedures by March 31, 2014. The target date for issuing the management decision letter will be by the end of the third quarter 2014.

OIG Follow-Up Status: None provided.

Report No. 13-3-0160, Summit Lake Paiute Tribe, Nevada – FY 2011, February 19, 2013

Summary: The tribe did not file the quarterly narratives for the General Assistance Program. Furthermore, the tribe was unable to locate documentation for two quarterly SF 425 reports. There were no formalized controls regarding the security of the payroll stamp. Also, the single auditor noted issues related to pay rates. A similar finding was noted in the prior year audit report. Budgets prepared excluded the carry-forward amounts from prior periods. Several transactions were not supported by a purchase order or other type of approval prior to the expenditure being made. One transaction charged to travel in the amount of \$2,877 did not appear to be valid and appropriate for the granting requirements, and the single auditors questioned that amount.

Agency Explanation: Region 9 indicated it will be issuing a final decision letter on the agreed-upon procedures by March 31, 2014. The target date for issuing the management decision letter will be the end of the third quarter 2014.

OIG Follow-Up Status: None provided.

Report No. 13-3-0350, Wells Band Council, Nevada – FYs 2008, 2011 and 2012, August 21, 2013

Summary: This review found numerous financial statement and major program compliance findings. As a result of significant cash management issues, we questioned as unsupported \$361,027 and recommended that the council be considered high risk, in accordance with the Code of Federal Regulations.

Agency Explanation: Resolution on hold.

OIG Follow-Up Status: None provided.

Report No. 13-P-0209, Opportunities for EPA-Wide Improvements Identified During Review of a Regional Time and Materials Contract, April 4, 2013

Summary: This review found that EPA Region 9 did not require its contracting personnel to verify that personnel for the contractor had the qualifications necessary to execute contract EPS90804. This may be an EPA-wide problem in managing time and materials contracts. In addition, Region 9 contracting personnel did not consistently update the statement of work that identifies the work it expects the contractor to perform so the EPA can use the statement of work to monitor performance; document the review of the qualifications of contractor personnel performing the contract tasks; document the reviews of monthly progress, contractor performance and quality of deliverables; become familiar with the contract; and issue memorandums appointing contract officer representatives. These practices put the EPA at risk of not receiving the level or quality of service for which it paid. Also, EPA Region 9 negotiated a prohibited profit clause in the contract, resulting in the EPA improperly paying the contractor more than \$1.5 million in additional profit.

Agency Explanation: Region 9 disagreed with the OIG on recommendations 3a and b and recommendations 4a and b. This audit is being resolved through the agency's dispute resolution process.

OIG Follow-Up Status: None provided.

**Total reports issued before reporting period for which
no management decision had been made as of March 31, 2014 = 24**

Appendix 3—Reports With Corrective Action Not Completed

In compliance with reporting requirements of Section 5(a)(3) of the Inspector General Act of 1978, as amended, “Identification of Reports Containing Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed,” and to help EPA and CSB managers gain greater awareness of outstanding commitments for action, we developed a *Compendium of Unimplemented Recommendations*. This separate document provides the information required in appendix 3 to this Semiannual Report to Congress. This compendium (available upon request or at <http://www.epa.gov/oig/reports/2014/20140430-14-N-0242.pdf>) is produced semiannually for agency leadership and Congress based on agency reports on the status of actions taken on OIG recommendations and OIG selective verification of reported status.

Appendix 4—Peer Reviews Conducted

The most recent peer review report on the EPA OIG was issued on May 9, 2012, by the U.S. Department of Health and Human Services OIG. That review, covering the 3-year period ending September 30, 2011, found that the EPA OIG system of quality control was suitably designed and complied with applicable *Government Auditing Standards*. That report had given the EPA OIG a peer review rating of *pass* with no deficiencies cited.

Appendix 5—OIG Mailing Addresses and Telephone Numbers

Headquarters

U.S. Environmental Protection Agency
Office of Inspector General
1200 Pennsylvania Ave., NW (2410T)
Washington, DC 20460
(202) 566-0847

Offices

Atlanta

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

Boston

U.S. Environmental Protection Agency
Office of Inspector General
5 Post Office Square, Suite 100 (OIG15-1)
Boston, MA 02109-3912
Audit/Evaluation: (617) 918-1470
Investigations: (703) 347-8740

Chicago

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

Cincinnati

U.S. Environmental Protection Agency
Office of Inspector General
26 West Martin Luther King Drive
Cincinnati, OH 45268-7001
Audit/Evaluation: (513) 487-2360
Investigations: (513) 487-2364

Dallas

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

Denver

U.S. Environmental Protection Agency
Office of Inspector General
1595 Wynkoop Street, 4th Floor
Denver, CO 80202
Audit/Evaluation: (303) 312-6969
Investigations: (303) 312-6868

Kansas City

U.S. Environmental Protection Agency
Office of Inspector General
11201 Renner Boulevard
Lenexa, KS 66219
Audit/Evaluation: (913) 551-7878
Investigations: (312) 353-2507

New York

U.S. Environmental Protection Agency
Office of Inspector General
290 Broadway, Room 1520
New York, NY 10007
Audit/Evaluation: (212) 637-3049
Investigations: (212) 637-3041

Philadelphia

U.S. Environmental Protection Agency
Office of Inspector General
1650 Arch Street, 3rd Floor
Philadelphia, PA 19103-2029
Audit/Evaluation: (215) 814-5800
Investigations: (215) 814-2367

Research Triangle Park

U.S. Environmental Protection Agency
Office of Inspector General
Mail Drop N283-01
Research Triangle Park, NC 27711
Audit/Evaluation: (919) 541-2204
Investigations: (919) 541-1027

San Francisco

U.S. Environmental Protection Agency
Office of Inspector General
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