



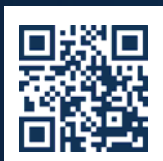
U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL



Semiannual Report to Congress

October 1, 2012–March 31, 2013



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EPA-350-R-13-001
May 2013

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Inspector General Act of 1978, as amended

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Abbreviations

CSB	U.S. Chemical Safety and Hazard Investigation Board
DCAA	Defense Contract Audit Agency
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
IRIS	Integrated Risk Information System
OIG	Office of Inspector General

Cover photos: *From left:* Drums at a Superfund emergency removal site; a natural gas production facility next to a playground and housing development; and heavy equipment removing contaminated soil at another site. (EPA photos)

Hotline

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

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Washington, DC 20460



Message to Congress

During the semiannual period, we issued numerous reports that we believe will help the U.S. Environmental Protection Agency operate in a more efficient and effective manner. This is particularly pertinent considering the current pressure on the agency to reduce spending while still effectively carrying out its mission of protecting human health and the environment. We constantly strive to be transparent in our evaluations of agency efforts by making the reports on our results available to the public. Some key findings for improving agency business practices are as follows:



Arthur A. Elkins Jr.

- The EPA is not recovering all costs of administering its lead-based paint program, which could amount to \$16.4 million over a 5-year period.
- By compiling better data on leased office space in relation to its needs, the EPA could better determine under-utilized property and save millions of dollars through the release of such property.
- The EPA continues to rely on high risk cost-reimbursement contracts for the Superfund remedial program rather than less risky fixed-price contracts.
- Due to the lack of policies and procedures for estimating savings or cost avoidances, the EPA was unable to report accurately the results of efficiency initiatives, and may have missed opportunities to achieve savings and cost avoidances.
- The EPA did not comply with the Improper Payments Elimination and Recovery Act because its fiscal year 2012 Agency Financial Report did not include all required elements of a corrective action plan, which could result in delays in implementing necessary corrective actions.
- The city of Goshen, Indiana, did not comply with Buy American requirements of the American Recovery and Reinvestment Act during the construction of a combined sewer overflow detention facility, making the project ineligible to receive \$5 million.

Some key findings we noted for improving agency programs to protect human health and the environment and responding to public inquiries on EPA activities were as follows:

- The EPA does not measure the environmental impact and benefits of the Superfund removal program, which can diminish the perceived value of the program and be an obstacle to a management focus on how removals contribute to protecting human health and the environment.
- The EPA needs to improve its air emissions data for the oil and natural gas production sector to gain a better understanding of emissions and potential risks.
- Although the EPA screened residential properties for soil contamination during removal activities at a Kansas location, the agency could not provide us with complete documentation for all properties to confirm actions taken.


- The EPA's initiative to promote healthier school environments lacks necessary controls to ensure that the EPA provides consistent implementation across the United States.
- EPA lacks assurance that its inspectors are conducting quality inspections designed to prevent accidental releases of harmful chemicals and to ensure adequate responses to protect the public when such accidents occur.
- We provided Congress with requested information on monetary results from EPA enforcement cases, as well as on the agency's use of its Integrated Risk Information System database as a source of information on cancer risks.

Investigations conducted by the EPA Office of Inspector General have resulted in the federal government collecting substantial fines and penalties, as well as other actions against those who adversely affect public health and the environment. In particular:

- BP Exploration and Production Inc. was sentenced to pay \$4 billion in fines and penalties—the largest criminal resolution in U.S. history—for its role in the 2010 Deepwater Horizon oil spill disaster in the Gulf of Mexico. The EPA Office of Inspector General participated on the Deepwater Horizon Task Force that led to the company's guilty plea. Also because of the task force's efforts, a second company—Transocean Deepwater Inc.—was sentenced to pay \$400 million in fines and penalties.
- Five companies and four individuals in Texas were issued cease and desist letters for allegedly claiming to be EPA employees while attempting to sell water filtration systems.
- Three Florida men were convicted and sentenced to probation and ordered to pay restitution for a telemarketing scam in which they claimed a relationship between their product and the EPA that did not exist.
- A former Commonwealth of the Northern Mariana Islands official was sentenced to an 18-month jail term for accepting a bribe related to a cleanup contract.

On March 14, 2013, I testified before the House Science, Space, and Technology Subcommittee on Oversight regarding the EPA's management challenges. The hearing was one in a series of hearings to review challenges facing the nation's science agencies as the committee prepares to review the administration's fiscal year 2014 budget request.

We will continue to ensure that the EPA and the Office of Inspector General remain responsible stewards of taxpayer dollars, striving to add value and transparency and assisting the agency in accomplishing its mission of safeguarding the health of the American people and protecting the environment. I want to express my appreciation to the agency and Congress for their support of the work of the Office of Inspector General.



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 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, 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.

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.

Significant OIG Activity

Oil and Gas Investigations and Reviews

Substantial penalties have been levied against two firms involved in the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, and the EPA OIG participated on the Deepwater Horizon Task Force that led to the guilty pleas by both companies. Further, because of that 2010 incident, the EPA OIG performed a review to assess EPA contingency planning for responding to subsequent oil spills and hazardous substance releases. We also reviewed whether the EPA has the data needed to make key decisions regarding air emissions from the oil and natural gas production sector.

BP Exploration and Production Inc. Sentenced to Pay Record \$4 Billion for Crimes Surrounding Deepwater Horizon Incident

On January 29, 2013, BP Exploration and Production Inc. pleaded guilty in the U.S. District Court, Eastern District of Louisiana, to 14 criminal counts of illegal conduct involving the 2010 Deepwater Horizon disaster, and was sentenced to pay \$4 billion in criminal fines and penalties—the largest criminal resolution in U.S. history. The spill caused 11 deaths and extensive environmental damage.

BP pleaded guilty to 11 counts of felony manslaughter, one count of felony obstruction of Congress, and one count each for violation of the Clean Water Act and Migratory Bird Treaty Act. In its plea, BP admitted that on April 20, 2010, the two highest-ranking BP



The 2010 Deepwater Horizon platform fire.
(EPA photo)

supervisors onboard the Deepwater Horizon negligently caused the deaths of 11 men and the resulting oil spill. The company also admitted that the two supervisors observed clear indications that the Macondo well (the source of the spill) was not secure and that oil and gas were flowing into the well but the supervisors chose not to take appropriate steps to prevent the well blowout. BP also admitted that as a result of the supervisors' conduct, control of the Macondo well was lost, which resulted in the catastrophe.

BP also admitted that it obstructed an inquiry by Congress into the amount of oil being discharged into the Gulf of Mexico while the spill was ongoing. Further, BP admitted

that a senior executive withheld documents, provided false and misleading information in response to the U.S. House of Representatives' request for information, manipulated internal estimates to understate the amount of oil flowing from the well, and withheld data that contradicted BP's public estimate of 5,000 barrels of oil per day being discharged.

Of the \$4 billion criminal recovery, approximately \$2.4 billion will be dedicated to acquiring, restoring, preserving and conserving the marine and coastal environments, ecosystems, and bird and wildlife habitat in the Gulf of Mexico and bordering states



An overhead view of the Deepwater Horizon oil spill. (EPA photo)

harmed by the spill. A portion of the criminal recovery is also to be directed to significant barrier island restoration or river diversion off the coast of Louisiana. An additional \$350 million will be used to fund improved oil spill prevention and response efforts in the gulf through research, development, education and training.

BP was also sentenced to 5 years probation and is required to retain a process safety and risk management monitor and an independent auditor who will oversee BP's process safety, risk management and drilling equipment maintenance with

respect to deepwater drilling in the Gulf of Mexico. BP is also required to retain an ethics monitor to improve its code of conduct to ensure BP's future candor with the U.S. government. BP, more than 20 of its affiliates, and several corporate employees have been suspended from government contracting.

This investigation was conducted by the Deepwater Horizon Task Force, which includes investigators from the Federal Bureau of Investigation, Department of the Interior OIG, National Oceanic and Atmospheric Administration Office of Law Enforcement, U.S. Coast Guard, U.S. Fish and Wildlife Service, Louisiana Department of Environmental Quality, EPA Criminal Investigation Division, and EPA OIG.

Transocean Deepwater Inc. Sentenced to Pay \$400 Million

On February 14, 2013, Transocean Deepwater Inc. pleaded guilty in the U.S. District Court, Eastern District of Louisiana, to a violation of the Clean Water Act for its illegal conduct leading to the 2010 Deepwater Horizon disaster, and was sentenced to pay \$400 million in criminal fines and penalties. This is the second largest environmental crime recovery in U.S. history, after the \$4 billion imposed on BP.

In its plea, Transocean admitted that members of its crew onboard the Deepwater Horizon, acting at the direction of BP's well site leaders, were negligent in failing to investigate fully clear indications that the Macondo well was not secure and that oil and gas were flowing into the well. Transocean was the owner and operator of the Deepwater Horizon drilling rig that was under lease to BP for the Macondo well.

Under the order entered by the court pursuant to the plea agreement, \$150 million of the \$400 million criminal recovery is dedicated to acquiring, restoring, preserving and conserving—in consultation with appropriate state and other resource managers—the

marine and coastal environments, ecosystems, and bird and wildlife habitat in the Gulf of Mexico and bordering states harmed by the Deepwater Horizon oil spill. This portion of the criminal recovery will also be directed to significant barrier island restoration or river diversion off the coast of Louisiana to further benefit and improve coastal wetlands affected by the spill. An additional \$150 million will be used to fund improved oil spill prevention and response efforts in the gulf through research, development, education and training. Transocean was also sentenced to 5 years of probation.

This investigation was also conducted by the Deepwater Horizon Task Force.

Contingency Planning for Oil and Hazardous Substance Response Can Be Improved

EPA regions have expanded contingency planning for responding to oil spills and hazardous substance releases by creating additional plans and materials, but regions cannot maintain this large volume of information with their limited resources.

The National Oil and Hazardous Substances Pollution Contingency Plan, known as the National Contingency Plan, establishes federal roles for oil spill responses and requires area and regional planning by the EPA and other stakeholders. A prior OIG audit on the 2010 Deepwater Horizon oil spill in the Gulf of Mexico noted that some contingency plans were out of date. We initiated this review to determine whether the contingency planning structure for responding to oil spills and hazardous substance releases is effective, and whether plans were updated to reflect lessons learned from recent major events.

Regions have created subarea contingency plans, geographic response plans and strategies, and various Web-based tools, but the regions are not always able to maintain the large volume of necessary information due to limited resources. The structure for the EPA regions exceeds the three levels of plans established in the Oil Pollution Act, which revised the National Contingency Plan to expand the response system. Some written plans miss certain National Contingency Plan requirements, contain duplicative information, and are out of date. Technological methods—instead of revising written plans—would enable the EPA to maintain current information needed to respond efficiently to spills.

We recommended that the EPA issue guidance to regions on how to use the most efficient method available to address National Contingency Plan requirements, require regions to keep critical planning information up to date and avoid unnecessary duplication, and develop a process to regularly incorporate lessons learned from national exercises. The agency agreed with our recommendations and plans to address them by the end of fiscal year 2013.

(Report No. 13-P-0152, EPA Could Improve Contingency Planning for Oil and Hazardous Substance Response, February 15, 2013)

EPA Needs to Improve Air Emissions Data for Oil and Natural Gas Production Sector

High levels of growth in the oil and natural gas production sector, coupled with harmful pollutants emitted, underscore the need for the EPA to gain a better understanding of emissions and potential risks. However, the EPA has limited directly measured air emissions data for air toxics and criteria pollutants generated by several important oil and natural gas production sector processes and sources.



A natural gas production facility next to a playground and housing development. (EPA photo)

The oil and natural gas production sector emits large amounts of harmful pollutants that impact air quality. To ensure that air quality is acceptable, the EPA needs to have sufficient data to conduct risk assessments and make permitting, enforcement and other decisions.

The EPA has limited directly measured air emissions data for air toxics and criteria pollutants for several important oil and gas production processes and sources, including well completions and evaporative ponds. Also, the EPA does not have a comprehensive strategy for improving air emissions data for the oil and gas production sector; the agency did not anticipate the tremendous growth of the sector, and previously only allocated limited

resources to the issue. The EPA also uses air emissions data to develop emission factors, but limitations in the EPA's air emissions data for a number of oil and gas production processes and pollutants have contributed to emission factors of questionable quality. About half of the EPA's oil and gas production Web Factor and Information Retrieval System emission factors are rated below average or are unrated because they are based on insufficient or low-quality data. Further, emissions data for oil and gas production in EPA's National Emission Inventory are incomplete. Nonpoint sources are significant sources of emissions in the oil and gas production industry, but only nine states submitted emissions data to EPA for nonpoint sources for the 2008 inventory. Consequently, the inventory likely underestimates actual criteria pollutant emissions for the industry.

We recommended that the EPA develop and implement a comprehensive strategy for improving air emissions data for the oil and gas production sector, prioritize which oil and gas production emission factors need to be improved, develop additional emission factors, and ensure the National Emissions Inventory data for oil and gas production are complete. These recommendations are unresolved pending the agency's final response.

(Report No. 13-P-0161, EPA Needs to Improve Air Emissions Data for the Oil and Natural Gas Production Sector, February 20, 2013)

Congressional Testimony and Requested Reviews

During the semiannual reporting period, the inspector general testified before a U.S. House of Representatives subcommittee about the EPA's management challenges. The OIG also issued two reports in response to congressional requests.

Inspector General Testifies Before House Subcommittee on Oversight

On March 14, 2013, Inspector General Arthur A. Elkins Jr. testified about the EPA's FY 2012 management challenges before the House Science, Space, and Technology Subcommittee on Oversight. This hearing was the second in a series of hearings to review challenges facing the nation's science agencies, as the committee prepares to review the administration's FY 2014 budget request.



Mr. Elkins testifying.
(Photo courtesy House Subcommittee on Science, Space, and Technology)

The OIG's July 2012 document, *EPA's Fiscal Year 2012 Management Challenges*, served as the basis of the inspector general's testimony. The report had been provided to both the Administrator and Congress as mandated by the Reports Consolidation Act of 2000. To prepare this report, the OIG defined the management challenges as program or management functions, within or across the agency, that have greater vulnerability to waste, fraud, abuse and mismanagement, and where a failure to perform well could seriously affect the ability of the EPA to achieve its mission or goals.

The inspector general noted each of the key management challenges faced by the EPA in FY 2012: oversight of delegations to states, safe reuse of contaminated sites, limited capability to respond to cyber-security attacks, the EPA's framework for assessing and managing chemical risks, and workforce planning.

In his oral statement, the inspector general focused on the findings of several OIG reports related to the challenges involving the oversight of delegations to states and cyber-security attacks. For example, the inspector general noted that despite the EPA's efforts to improve state enforcement performance, state enforcement programs frequently do not meet national goals and states do not always take appropriate enforcement actions. The inspector general added that the OIG found limited assurance that data in the Automated System Security Evaluation and Remediation Tracking tool are reliable for decision-making.

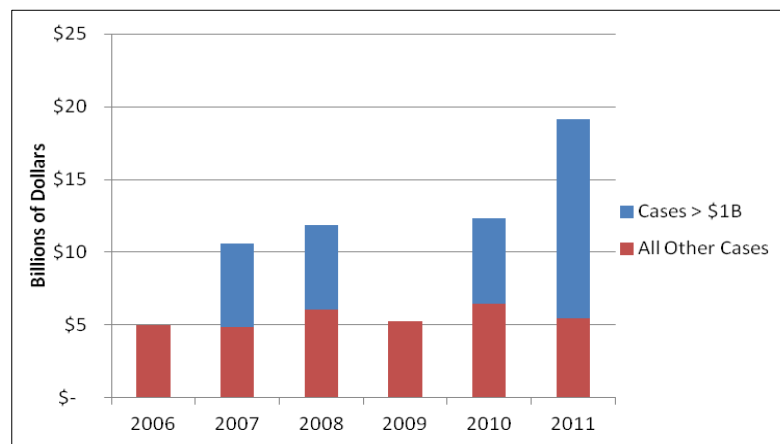
The inspector general closed by stating that the agency must remain focused on these challenges, especially in light of the difficult budgetary climate currently facing all federal agencies.

Monetary Results From EPA Enforcement Cases Vary

EPA enforcement data showed that the amount of monetary results EPA regions achieve from concluded enforcement cases varies from year to year and from region to region.

The EPA is responsible for enforcing many environmental laws, and annually reports environmental and monetary enforcement results to Congress and the public. We conducted this review in response to a congressional request for information about EPA enforcement results overall and, specifically, for Region 7 in FY 2010.

Total monetary enforcement results, FYs 2006-2011



Source: OIG analysis of EPA enforcement data for FYs 2006-2011.

While the number of enforcement cases concluded for FYs 2006 through 2011 remained relatively constant, the overall monetary results varied. The variations were linked to when and where in the nation a few large cases were concluded. These few large cases can result in unusually large monetary results in any given year. National Enforcement Initiatives set by the EPA's Office of Enforcement and Compliance Assurance drove the majority of these large cases.

In FY 2010, Region 7 concluded two enforcement cases with large monetary results. Both cases were pursued under the EPA's National Enforcement Initiative. The two cases accounted for 24 percent of all of the EPA's monetary enforcement results for FY 2010 and 98 percent of Region 7's monetary results for FY 2010. Large cases took several years to close and relied on coordination with the U.S. Department of Justice, companies, and the courts, which meant that the EPA did not have full control over the year in which a case was settled.

The OIG made no recommendations in this report.

(Report No. 13-P-0168, Response to Congressional Request on EPA Enforcement, February 28, 2013)

IRIS Database Is Primary Source of Cancer Values for Surveyed EPA Personnel

Based on results from an OIG survey, 85 percent of EPA personnel surveyed reported using the Integrated Risk Information System database as their primary source for cancer values. Further, 81 percent reported using the IRIS database as their primary source for noncancer values.

IRIS is an EPA Web-based program that evaluates risk information on human health effects that may result from exposure to environmental contaminants. IRIS consists of chemical assessments and quantitative toxicity values that have been developed by the EPA and undergone peer review. IRIS contains information for more than 550 chemical substances, including cancer and noncancer human health effects. The OIG received a congressional request to determine whether EPA offices incorporate exposure dose concentrations and values from the IRIS database into their regulatory decision-making.

Based on our results, 85 percent of the EPA survey respondents reported that they have used IRIS as their primary source for cancer values, and 81 percent have used IRIS as their primary source for noncancer values. More than half of the respondents who reported using IRIS as the primary source for cancer and noncancer values (51 and 52 percent, respectively) indicated they did so because it was required for the activity they were conducting. About one-third (34 percent) of the survey respondents reported that they have used an alternate source for toxicity values when an IRIS value was available, primarily because the alternate source was more up to date. We found no EPA policy that mandates the use of any toxicity database, including IRIS.

The OIG made no recommendations in this work product.

(Report No. 13-P-0127, Congressionally Requested Information on EPA Utilization of Integrated Risk Information System, January 31, 2013)

Human Health and the Environment

The EPA Needs to Better Measure Impacts of Superfund Removal Program

The EPA does not measure the environmental impact and benefits of the Superfund removal program, which can diminish the perceived value of the program and be an obstacle to a management focus on how removals contribute to protecting human health and the environment.

Superfund removals are used to respond to emergencies or accidental releases of hazardous substances, and to mitigate damage to the public or the environment from hazardous substance releases. The EPA has established an annual Superfund removal goal of 170 EPA-lead and 170 potentially responsible party-lead removals each fiscal year through 2015.



The River Road Drum Site, a 2010 Superfund emergency removal in Morgantown, West Virginia. (EPA photo)

The goals of the Superfund removal program are measured by determining the number of removals completed rather than how removals protect human health and the environment. This measurement limitation can diminish the perceived value of the program and be an obstacle to a management focus on how removals contribute to protection of human health and the environment. Information on removal program impacts will allow the EPA to better inform the public about the benefits of the program and provide a strong foundation for budget requests. We also noted that the EPA does not adequately monitor the completion of required actions in the Superfund database.

We recommended that the EPA identify environmental results and benefits of the removal program, communicate those results along with existing program results, and implement system controls to ensure required data are entered and completed in the Superfund database. EPA agreed with the recommendations and provided acceptable corrective actions.

(Report No. 13-P-0176, Results and Benefits Information Is Needed to Support Impacts of EPA's Superfund Removal Program, March 11, 2013)

Questions Remain Regarding Soil Contamination Removal at Kansas Site

EPA Region 7 screened residential properties for soil contamination during its 2001–2002 removal activities near the former National Zinc Company smelter in Cherryvale, Kansas, but could not provide the OIG with complete documentation for all properties to confirm actions were taken.

The OIG received a hotline complaint alleging that residential properties near the former National Zinc Company smelter were not addressed during previous cleanup activities. In 2001, a state evaluation determined that soils at residential properties adjacent to the site



Heavy equipment removing contaminated residential soil in Cherryvale, Kansas. (EPA photo)

were contaminated with heavy metals, including lead, which the EPA classifies as a probable human carcinogen.

We found over 35 residential properties with lead contamination that, according to samples taken during the 2001–2002 removal action, exceeded the action level. However, it was unclear which of these properties were excavated because some EPA records were missing or incomplete. Although the EPA provided us with documentation at various times during our review,

there are still inconsistencies and gaps. For example, in contrast to positions stated early in our review, Region 7 now says some properties with contamination at or above the action level were not excavated. Without complete documentation, neither the EPA nor the OIG can confirm that all lead contamination presenting an imminent and substantial endangerment to public health was fully identified and addressed. As a result, we cannot confirm or dismiss the allegations raised in the complaint.

We made various recommendations, including that Region 7 review all site records and documents to determine whether there is an imminent and substantial endangerment to public health at the National Zinc Company site. Region 7 disagreed, stating it believes it has addressed all imminent and substantial endangerment to residential properties at the site. The issue needs to be resolved.

(Report No. 13-P-0207, Review of Hotline Complaint Regarding Residential Soil Contamination in Cherryvale, Kansas, March 28, 2013)

School Environmental Health Efforts Need Improvement

The EPA has established children's health as a priority. However, the agency's Clean Green and Healthy Schools initiative to promote healthier school environments lacks the necessary management controls to ensure that the EPA provides consistent implementation of the program across the United States.

More than 60 million students and teachers attend over 130,000 public and private schools in the United States. Poor environmental conditions in schools, such as asbestos contamination and drinking water violations, can pose increased risks to children's health. In FY 2011, the agency launched the Clean Green and Healthy Schools initiative to support states and communities promoting healthier school environments.



An image from the EPA's Healthy School Environments website. (EPA photo)

The EPA recently developed some measures for the initiative, but those measures are not specific enough to demonstrate program outcomes. In addition, regional staff may not be able to collect the data needed to determine how the initiative is improving environmental health in schools. As the EPA works to improve initiative management, the agency needs to take into account the impact that funding reductions for the initiative and other EPA school environmental health programs may have. Further, the EPA did not meet all requirements of the Healthy High-Performance Schools subtitle of the Energy Independence and Security Act. The agency was

nearly 3 years late issuing school environmental health guidelines for states, which delayed assistance to the states. The EPA also did not report annually, resulting in Congress being uninformed about delays.

The EPA should improve management controls for the initiative, to include better planning, measures and data-collection procedures. The agency should also comply fully with the Energy Independence and Security Act. Finally, the EPA should regularly review its school environmental health programs to determine whether the agency provides sufficient regulatory and voluntary program services to address the risks to children's health in schools. The agency agreed to all of our recommendations.

(Report No. 13-P-0201, The EPA Needs to Improve Management of Its School Environmental Health Efforts, March 27, 2013)

The EPA Is Unable to Evaluate Efficiency of Its Rulemaking Process

Due to limitations in the EPA's rulemaking documentation and guidance, the agency is unable to evaluate the efficiency of its rulemaking process or identify potential delays in its rulemaking activities.

Rule development is one of the EPA's principal tasks. The EPA develops rules to carry out the environmental and public health protection laws passed by Congress. Efficient EPA rulemaking may accelerate the progress of protecting human health and the environment. We conducted this review, at the request of the agency, to evaluate the timeliness, efficiency and effectiveness of EPA rulemaking.

The development and implementation of management controls to ensure that the rulemaking process is progressing efficiently and that resources are accurately accounted for will enhance the EPA's ability to ensure efficiency during the development process and accelerate the progress of protecting human health and the environment. We recommended that the EPA Office of Policy establish guidance and maintain database documentation, and the office agreed with those recommendations. We also recommended that the EPA Office of Policy develop a method to track resources, but the office nonconcurred, citing a lack of expertise, and that recommendation is unresolved.

(Report No. 13-P-0167, Efficiency of EPA's Rule Development Process Can Be Better Measured Through Improved Management and Information, February 28, 2013)

Controls for Clean Air Act Risk Management Program Inspections Can Be Improved



Heat exchanger used to heat anhydrous ammonia before it flows to a reactor to produce a fertilizer product at a risk management program facility. The highlighted area shows visible corrosion. (EPA photo)

The EPA's management controls for ensuring inspector training and inspection quality for its Clean Air Act risk management program provide limited assurance about the effectiveness of the program's inspections. A program with properly trained personnel, guidance and oversight helps to ensure compliance with program regulations, thus decreasing the risk of airborne releases of chemicals that could harm the public.

Congress enacted the Clean Air Act risk management program to reduce the risk of airborne chemical releases that could harm the public and lessen the impact of releases that do occur. Regulated substances include 77 toxic chemicals that could cause death or serious health effects

from short-term exposures, as well as 63 flammable substances. Inspections help ensure that facilities comply with program requirements.

We found that 15 of the 45 risk management program inspectors nationwide received inspector credentials without documentation indicating that they met minimum training requirements. Further, six of the 12 supervisors did not meet minimum training requirements. Weaknesses in controls included limitations in training tracking systems and a lack of procedures to ensure that supervisors met their training requirements. In addition, contracts and cooperative agreements for inspection services did not include training requirements.

We recommended that the EPA strengthen its management controls to ensure that inspectors and supervisors meet minimum training requirements, and strengthen guidance related to minimum inspection scope. Further, the EPA should develop minimum inspection reporting requirements and a monitoring program to assess the quality of inspections. The EPA generally concurred with our recommendations and has started taking corrective actions.

(Report No. 13-P-0178, Improvements Needed in EPA Training and Oversight for Risk Management Program Inspections, March 21, 2013)

Agency Business Practices and Accountability

The EPA Is Not Recovering All Costs of the Lead-Based Paint Fees Program

The EPA is not recovering all costs of administering its lead-based paint fees program, which could amount to \$16.4 million for FYs 2010 through 2014 combined.

The Toxic Substances Control Act authorizes the EPA to establish fees to recover the costs of administering and enforcing the standards and requirements applicable to lead-based paint training programs and contractors.

The EPA is not recovering all of its costs of administering the lead-based paint fees program. The agency's revised rough cost estimates showed unrecovered costs of \$16.4 million for FYs 2010 through 2014 combined (using EPA's initial cost estimate, projected unrecovered costs were \$42 million). EPA is not recovering these costs because firm participation in the program is lower than projected, a biennial cost review to determine actual costs was not conducted, and the fees structure does not take into account all indirect costs needed to recover the full cost of the lead-based paint fees program.

Revised estimated unrecovered costs for the 5-year cycle (\$ in millions)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Fee collections	\$22.0	\$8.7	\$4.1	\$4.7	\$4.9	\$44.3
Program costs	13.1	14.3	10.9	11.2	11.2	60.6
Total	\$8.9	\$(5.6)	\$(6.8)	\$(6.5)	\$(6.3)	\$(16.4)

Source: OIG analysis of EPA data. (The numbers in the table may not add up due to rounding.)

We recommended that the EPA update the March 2009 fees rule to reflect the amount of fees necessary to recover program costs, and apply indirect cost rates to all applicable direct costs to obtain the full cost of the program. EPA agreed with all of our recommendations.

(Report No. 13-P-0163, EPA Is Not Recovering All Its Costs of the Lead-Based Paint Fees Program, February 20, 2013)

Improvements Needed in the EPA's Smartcard Program

When upgrading its physical access control systems throughout the agency to the new smartcard system, the EPA upgraded some less critical facilities prior to its most important facilities (including EPA headquarters), contrary to its plans.

Homeland Security Presidential Directive-12 and subsequent requirements state that inconsistent approaches to physical access are inefficient and costly, and increase risk to the federal government.



The EPA stated it was more efficient to upgrade facilities based on geographic location rather than importance, but provided no quantitative data to support that position. In addition, the EPA indicated it did not want to make mistakes upgrading headquarters buildings so it upgraded others first. As a result, some lower-valued facilities required a higher level of authentication for access than EPA headquarters facilities. In addition, the processes used to gain access to EPA facilities were inconsistent.



Further, the EPA did not document assurance of cost reasonableness for some of the physical access control system contracts. The EPA had spent over \$12.8 million upgrading physical access control systems and could not assure that \$3.8 million of that amount (30 percent) was spent in the most efficient and effective manner. The EPA planned to award an additional \$10.6 million to upgrade its systems.

Smartcard readers in use by the EPA varied. The readers pictured above are, clockwise from top left, at the Boston, Dallas, Chicago, and Denver regional offices. (EPA photos)

We recommended that the EPA re-prioritize the remaining facility upgrades by security level, from highest to lowest, and develop national policies and procedures that foster consistent inter-operable physical access. We also recommended that the EPA establish an entity for overseeing EPA's smartcard program, conduct cost analysis of smartcard

upgrades, and enforce guidelines for independent government cost estimates. Either the EPA agreed with our recommendations or proposed alternative corrective actions that we believe address our findings.

(Report No. 13-P-0200, Improvements Needed in EPA's Smartcard Program to Ensure Consistent Physical Access Procedures and Cost Reasonableness, March 27, 2013)

The EPA Needs Better Data on Leased Office Space

The EPA lacks accurate, current and complete information on the number of personnel and usable square feet for its General Services Administration-owned/leased offices. If properly managed, the EPA could save millions of dollars annually through property release.



The EPA Region 5
Ralph H. Metcalfe
Federal Building,
Chicago, Illinois.
(EPA photo)

The June 2010 Presidential memorandum, *Disposing of Unneeded Federal Real Estate*, requires federal agencies to eliminate excess properties and lease arrangements that are not cost effective.

The General Services Administration leases facilities for EPA use. At 13 of 16 facilities reviewed, we estimated that the EPA had 433,336 square feet of under-utilized space as of February 2012. If all under-utilized space was marketable, the EPA could save up to \$21.6 million annually by releasing under-utilized space. Additionally, the EPA does not have a policy for determining when it may house contractors onsite. Housing contractors on-site can cost the EPA up to \$9.9 million annually.

We recommended that the EPA relocate staff where warranted, develop and enforce a policy that requires contracting staff ensure that on-site contractors have been approved by the responsible office, and require that personnel information be consistently tracked and updated in EPA systems. The agency concurred with all recommendations.

(Report No. 13-P-0162, EPA Can Further Reduce Space in Under-Utilized Facilities, February 20, 2013)

The EPA Needs to Improve How it Identifies and Realizes Cost Savings

Due to a lack of policies and procedures for estimating savings or cost avoidances, the EPA was unable to accurately report the results of its efficiency initiatives or influence internal and external management decisions. As a result, the EPA may have missed opportunities to leverage and expand its cost-cutting efforts to achieve savings and cost avoidances.

Since 2009, the President and the Office of Management and Budget have issued various memorandums and directives requesting agencies to identify ways to avoid costs and achieve efficiencies and savings. In August 2009, the EPA's Office of Administration and Resources Management issued an electronic memorandum asking program offices and regions to identify efficiency projects. The program offices and regions targeted 72 projects for potential savings and cost avoidances.

Regions 4 and 7 were the focus of this audit to evaluate the EPA's efforts to identify and realize savings and costs avoidances, and we found that those regions did not apply reliable methods for estimating savings and cost avoidances. No policies or procedures existed for Regions 4 and 7 to follow. While the Office of Administration and Resources Management took the initiative to involve program offices and regions in identifying an estimated \$21 million of potential savings and cost avoidances, it did not effectively follow up to ensure the EPA achieved desired results. Sufficient follow-up did not occur because the EPA viewed the projects as merely ideas for possible cost savings.

We recommended that the EPA develop a policy and procedures for identifying and estimating cost savings, efficiencies and avoidances, and determine whether any of the 72 targeted projects resulted in significant efficiencies. We also recommended that Regions 4 and 7 recalculate identified cost avoidances. EPA did not concur with our recommendations and they remain unresolved.

(Report No. 13-P-0028, Improvements Needed in Estimating and Leveraging Cost Savings Across EPA, October 22, 2012)

Project Not Eligible to Receive \$5 Million of Recovery Act Funds

The city of Goshen, Indiana, did not comply with Buy American requirements of the American Recovery and Reinvestment Act of 2009 during the construction of a new combined sewer overflow detention facility. We found the project ineligible to receive \$5 million of Recovery Act funds.



Flushing gates at the Goshen Combined Sewer Overflow Detention Facility. (EPA OIG photo)

In response to an OIG hotline complaint, we conducted a December 2011 site visit at the Goshen site. The city had received a \$36.1 million loan from the state of Indiana, which included \$5 million in Recovery Act funds.

We found that the equipment identified in the hotline complaint was produced in the United States and complied with the Buy American requirements set forth in Section 1605 of the Recovery Act.

However, the city could not demonstrate that a positive displacement blower used in the project was manufactured in the United States.

Since Goshen could not demonstrate that all equipment used in the project complied with the Buy American requirements, we determined that the project was not eligible for the \$5 million received under the Recovery Act.

We recommended that the EPA use procedures set forth in the Code of Federal Regulations to ensure compliance with Buy American requirements. The EPA could either reduce the amount of the award, or take enforcement or termination action. The city did not concur with our recommendation. Region 5 has not commented on the

report's finding and recommendation, and has until May 8, 2013 to provide its proposed management decision on the report.

(Report No. 13-R-0092; American Recovery and Reinvestment Act Site Visit of Combined Sewer Overflow Detention Facility, City of Goshen, Indiana; January 8, 2013)

Audit of Idaho Cooperative Agreement Notes Issues Related to Contractor Documentation

The Idaho Department of Environmental Quality generally complied with federal and state procurement policies and procedures in relation to cooperative agreement 2S-96099601, but an audit noted deficiencies related to documentation by contractors.

The EPA awarded to Idaho a cooperative agreement, totaling \$16.8 million, to remediate lead-contaminated properties at the Bunker Hill Superfund site, Kellogg, Idaho. The Recovery Act funded the agreement. The EPA OIG hired an independent public accounting firm to audit the agreement.

The audit found that the Idaho Department of Environmental Quality did not require its contractors to include Certification of Independent Price Determination language in bid proposals. In addition, the department did not require its contractors to have accident and catastrophic loss insurance coverage. Further, the department did not require its contractors to retain records for 10 years after submitting final federal financial status reports. The Code of Federal Regulations requires all these actions.

The accounting firm made various recommendations for the Idaho Department of Environmental Quality to correct the deficiencies noted, and the EPA agreed that Idaho needs to address the recommendations.

(Report No. 13-R-0206, Audit of American Recovery and Reinvestment Act-Funded Cooperative Agreement 2S-96099601 Awarded to the Idaho Department of Environmental Quality, March 28, 2013)

The EPA Earns Unqualified Opinion on Financial Statements

We rendered an unqualified opinion on the EPA's Consolidated Financial Statements for FYs 2012 and 2011, meaning that the statements were fairly presented and free of material misstatements. However, several material weaknesses were noted.

In October 2011, the EPA replaced the Integrated Financial Management System with a new system, Compass Financials, and we determined that Compass reporting and system

limitations represented a material weakness. In addition, we noted the following significant deficiencies, some of which involved Compass and contributed to the material weakness:

- Posting models in Compass materially misstated general ledger activity and balances.
- Compass reporting limitations impaired accounting operations and internal controls.
- The EPA did not reverse approximately \$108 million in expense accruals.
- Compass system limitations impaired internal controls of financial operations.
- Accounts receivable internal controls contained numerous deficiencies.
- The EPA did not timely clear Fund Balance with Treasury Statement of Differences transactions.
- Compass did not have sufficient controls over personal property entries.
- Compass and the property system could not be reconciled.
- EPA did not monitor the testing of networked information technology assets to identify commonly known vulnerabilities.
- EPA lacked reliable information on security controls for financial systems.

We also noted a noncompliance issue in that the EPA has limited assurance that its Compass service provider's controls are designed and operating as intended.

The agency disagreed with most of our findings but accepted many of our recommendations. In particular, the agency stated it identified and then fixed or remediated most of the limitations of its new Compass system and, thus, there were no material issues during the preparation of the financial statements. The agency characterized the errors we found as normal problems during collection and verification activities. However, we disagree that was the case. The errors we found occurred primarily because of posting model deficiencies in the new system and the failure of internal controls to detect and correct the errors.

(Report No. 13-1-0054, Audit of EPA's Fiscal 2012 and 2011 Consolidated Financial Statements, November 15, 2012)

The EPA Should Increase Fixed-Price Contracting for Remedial Actions

The EPA continues to rely on high risk cost-reimbursement contracts and time-and-materials task orders in the Superfund remedial program rather than less risky fixed-price contracts.

In the cleanup of Superfund sites, the EPA uses a variety of instruments (such as contracts and cooperative agreements) to obtain Superfund remedial services. One such

instrument is the remedial action contract. The agency had expenditures of almost \$570 million under remedial action contracts for FYs 2007 through 2011.

Despite urgings from the President, Congress, the Office of Management and Budget, and others to federal agencies, the EPA generally has not reduced high risk contracting activities in the Superfund remedial program. The Office of Management and Budget defines high risk contracting activities as noncompetitive, cost-reimbursement, time and materials, and labor hour contracts, as opposed to such contracts as firm-fixed-price contracts. Resistance to change, regional program office pressure, lack of leadership, and lack of trained qualified staff have contributed to reliance on high risk contracts. Reducing the reliance on these contracts can result in numerous benefits, including cost savings, increased competition and achievement of socio-economic goals.

We made various recommendations, including that the EPA require approval for written acquisition plans for cost reimbursement remedial action contracts, and that the EPA develop performance measures and goals for each region for the use of fixed-price contracts and task orders. The EPA agreed in principle to the objectives of our report but disagreed with the majority of our recommendations, and those recommendations need to be resolved.

(Report No. 13-P-0208, EPA Should Increase Fixed-Price Contracting for Remedial Actions, March 28, 2013)

Corrective Action Plan Needed for the EPA to Fully Comply With the Improper Payments Elimination and Recovery Act

The EPA did not comply with the Improper Payments Elimination and Recovery Act because the FY 2012 Agency Financial Report did not include all required elements of a corrective action plan, which could result in delays in the implementation of necessary corrective actions. In addition, the agency misstated improper payments.

Under the Improper Payments Elimination and Recovery Act, agencies are required to report on improper payments, and inspectors general are required to determine whether the agency complies with the act.

In its corrective actions plan, the EPA did not include, among other things, planned and actual completion dates for corrective actions and improper payment reduction targets. The EPA also misstated improper payments for state revolving funds, grants, and contracts and commodities payment streams in the FY 2012 Agency Financial Report. For state revolving fund programs, the EPA significantly misstated improper payments. For grants programs, \$39,694 was not reported as improper payments. In addition, the EPA did not include discounts not taken for contracts and commodities.

We recommended that the EPA submit a plan to Congress describing actions the agency will take to become compliant with the Improper Payments Elimination and Recovery Act, develop needed guidance, identify improper payments using appropriate reports and worksheets, and determine why errors occurred and take corrective actions. The agency concurred with all of our recommendations and provided intended corrective actions and estimated completion dates.

(Report No. 13-P-0175, Corrective Action Plan Needed in Order to Fully Comply With the Improper Payments Elimination and Recovery Act, March 11, 2013)

The EPA Made Significant Progress in Reducing Unliquidated Obligations

The EPA has made significant progress in its efforts to reduce unliquidated obligations, although our review in Region 5 noted some additional funds that could be deobligated.

An unliquidated obligation is as an obligation or liability that has not been expended or liquidated. In FY 2011, the EPA Office of the Chief Financial Officer released new policies and procedures and launched a new database to improve and simplify the unliquidated obligations review process.

At the beginning of FY 2011, the EPA's system for reviewing unliquidated obligations indicated that Region 5 had over \$1.7 billion in grant, contract and interagency agreement unliquidated obligations. During FY 2011, Region 5 liquidated over \$1 billion in unliquidated obligations, leaving about \$645 million in unliquidated obligations remaining at the end of FY 2011. Our review found an additional \$402,445 that, in our opinion, could have been deobligated during FY 2011. Region 5 deobligated the funds in FY 2012. Several factors affected Region 5's ability to liquidate funds, including obtaining the documentation necessary to close out funding agreements.

We recommended that EPA Region 5 take action to deobligate the funds noted by our audit. We also recommended that the agency's Office of the Chief Financial Officer and Office of Administration and Resources Management address issues related to funding agreements where the obligation is inactive or open with no activity for more than 180 days. Region 5 took action to deobligate the funds cited and the agency agreed with the other recommendations.

(Report No. 13-P-0145, New Procedures Aided EPA Region 5 in Reducing Unliquidated Obligations, February 13, 2013)

The EPA Undertook Corrective Actions for Tribal Grant Program

The EPA performed a number of corrective actions to address the findings and recommendations from a 2008 OIG report involving General Assistance Program grants to federally recognized tribes and tribal consortia.

The Indian Environmental Assistance Program Act of 1992 gives the EPA authority to award grants to tribal governments in order to build capacity and administer environmental programs. The act authorized the EPA to provide General Assistance Program grants to federally recognized tribes and tribal consortia. We reviewed actions undertaken by the EPA to address recommendations outlined in our 2008 report, *Framework for Developing Tribal Capacity Needed in Indian General Assistance Program*.

The EPA responded to our 2008 report by taking a number of actions, such as developing an online database, drafting a guidebook, and revising guidance. The EPA also engaged in tribal consultation for the guidebook and guidance, and said the agency would finalize revisions to both documents by May 2013. In addition to making sure that work plans include intermediate- and long-term outcomes and goals, the agency also said it has made incremental shifts in the way General Assistance Program funds are distributed.

Although the EPA certified all actions as completed, corrective actions are still in progress and we could not test their effectiveness. We recommended that by May 2013, the EPA complete implementation of corrective actions initiated in response to the 2008 report. The agency accepted this recommendation.

(Report No. 13-P-0057; Status of Corrective Actions in Response to 2008 Report, “Framework for Developing Tribal Capacity Needed in Indian General Assistance Program”; November 27, 2012)

The 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 2012, submitted to the Office of Management and Budget, disclosed that security management for several agency programs should be improved.

The audit work performed during the review disclosed that the agency needs to make significant improvements in the following programs: continuous monitoring management, configuration management and risk management. In addition, audit work noted significant weaknesses with several aspects of the EPA’s information security program.

(Report No. 13-P-0032, Fiscal Year 2012 Federal Information Security Management Act Report Status of EPA’s Computer Security Program, October 26, 2012)

Investigations

Florida Telemarketers Convicted and Sentenced

In February 2013, three Florida men were convicted and sentenced to probation and ordered to pay restitution and fines for a telemarketing scam in which they claimed a relationship between their septic system products and the EPA that did not exist.

On February 14, 2013, Marc Rona and Gary Kranz, owners of FBK Products, LLC, Palm Beach County, Florida, were sentenced in U.S. District Court, Southern District of Florida, West Palm Beach Division, on one count of conspiracy to commit mail and wire fraud. The corporation was also sentenced on the same charge. Further, on February 21, 2013, Steven Kranz, another owner, was sentenced on one count of misprision of a felony (a “misprision” is the concealment of a felony and failure to report it). The owners and the company were sentenced to probation and ordered to jointly pay \$9,500 in restitution. The company was also fined \$10,000 and Steven Kranz was fined an additional \$5,000.

The investigation of FBK Products and its employees began after numerous complaints were received that FBK had engaged in a telemarketing scam by claiming a fraudulent relationship between EPA and their product, Septic Remedy. During sales calls, the FBK telemarketers falsely associated their product with EPA and/or governmental actions. The telemarketers’ lies were part of the company’s high-pressure sales tactics used to mislead some senior citizens into buying up to 70 years worth of the product, soluble packets flushed down toilets to maintain septic systems. Six telemarketers and three supervisors have already been sentenced for their parts in the scam.

Texas Vendors Told to Cease and Desist

Five companies and four individuals in the Houston, Texas, area were issued cease and desist letters for allegedly claiming to be EPA employees while attempting to sell water filtration systems.

The Harris County (Texas) Attorney’s Office issued cease and desist letters to the companies and individuals for violations of the Texas Deceptive Trade Practices Act, for making false and deceptive claims that may have misled customers into believing that the companies’ actions were on behalf of or condoned by the EPA. The investigation determined that the individuals were not EPA employees. The investigation began in May 2012, when a private citizen in the Houston area contacted EPA to report that two men, claiming to be from the EPA, wanted to test the water taps inside her home. The men did not present any identification to prove they were EPA employees.

Former Commonwealth of the Northern Mariana Islands Official Sentenced

The former special assistant to the secretary of the Department of Public Lands for the Commonwealth of the Northern Mariana Islands was sentenced to an 18-month jail term, followed by 2 years of supervised release, for accepting a bribe related to a cleanup contract.

On November 19, 2012, Franz Benjamin Reksid was sentenced in U.S. District Court, District of Northern Mariana Islands. In September 2011, Reksid had been found guilty at trial of one count of bribery.

From 2007 to 2009, Reksid was responsible for managing Department of Public Lands contracts with funding provided from EPA Brownfield grants. In February 2009, Reksid recommended that a contract, previously awarded in 2007 to John Scott, President, All Hazards Management Professionals, LLC, Yona, Guam, be amended to include an additional \$200,000 for the cleanup and disposal of unexploded ordnance at the Marpi Village Homestead Site. The original contract for \$297,152 required Scott to assess the commonwealth's government-owned lands on Saipan for unexploded ordnance located on the Marpi Village Homestead Site. While recommending the above mentioned contract amendment to the Department of Public Lands secretary, Reksid sought and received from Scott a \$3,000 "loan."

The investigation determined that Reksid only sought approval from the secretary and other Department of Public Land officials to amend the contract to extend the amount of time, but not for the additional \$200,000. Former department officials testified at Reksid's trial that he concealed from them his intentions to add \$200,000 to Scott's existing contract and never sought their approval for such a change order. Reksid ultimately routed the amended version of Scott's contract to the finance department using the signature page of the original 2007 contract, in order to receive the additional funding made available by the EPA to the Department of Public Lands.

South Carolina Man Sentenced for Fraud Regarding Underground Storage Tank

A South Carolina man was sentenced to probation and to pay restitution for preparing falsified reports related to groundwater cleanup after an underground storage tank had been removed.

On February 19, 2013, Kenneth Alan Lauber, Greenville, South Carolina, was sentenced in U.S. District Court, District of South Carolina, for mail fraud. Lauber was sentenced to 5 years probation, including 8 months home confinement, and \$45,000 in restitution.

Lauber was the owner of Advantage Environmental Consulting Services, an environmental consulting business. He was contracted to conduct a cleanup of groundwater after an underground fuel storage tank had been removed. The process required a period where the site is left alone and monitored to ensure that no petroleum remains. Instead, Lauber continued to visit the site and secretly pump groundwater out, misleading state officials regarding the level of residual petroleum. The fraud charges stemmed from falsified reports he submitted to the South Carolina Department of Health and Environmental Control. Lauber had received \$45,000 in compensation for his work, which he will have to pay back.

Colorado Man Pleads Guilty to Disorderly Conduct for Threats

On February 7, 2013, a Pueblo, Colorado, man pled guilty to one count of disorderly conduct, a class 1 misdemeanor, in the 10th Judicial District, Pueblo County, Colorado, for his involvement in inflammatory communications with EPA Region 8 employees. In 2011, an EPA Region 8 employee received a threatening phone call from the man. In 2012, the man sent a threatening letter to another Region 8 employee. The man, who owns property that is part of a Region 8 residential soil removal project, has been barred from the Region 8 office.

Employee Suspended for Using EPA Resources to Support Personal Businesses

An EPA employee was suspended from his position for 30 days without pay for using EPA resources to support personal businesses. An OIG investigation established that the employee used EPA office equipment during the workday to further two private business ventures—a security guard service that held government contracts and a real estate company. The employee also failed to disclose the interest he and his wife held regarding the security guard service on his Confidential Financial Disclosure Report (OGE Form 450). In addition to being suspended from his position, the employee was debarred from doing business with the government for 4 years, while his wife and the two companies were debarred for 3 years.

Employee Suspended for Defrauding Transit Subsidy Program

An agency employee was suspended for 5 days, with corresponding loss of pay, for defrauding the transit subsidy program. The employee claimed a dollar amount on his transit subsidy forms that exceeded the dollar amount of transit reimbursement he was entitled to receive, as he worked at an offsite location multiple times during the month. The investigation determined the employee defrauded the U.S. government an aggregate of \$598. The employee was also removed from the flexiplace program.

Employee Resigns After Unauthorized Use of Computer

An EPA employee signed an agreement to resign as an information technology specialist with the EPA for using an EPA laptop computer at his residence for unauthorized business. The employee, a Lotus Notes administrator, took the laptop home to check for agency emails and other authorized business. However, the investigation determined that the laptop was used for a family business, typing reports for a college course, and storing family photos. Prior to resigning, the employee had been placed on administrative leave and barred from entering the EPA building.

Other Activities

EPA OIG Provides Suspension and Debarment Training to 31 Federal OIGs

The EPA OIG provided training on three separate occasions to more than 140 auditors, evaluators, and attorneys from 31 federal OIGs on the auditor's role in suspension and debarment cases. The Council of the Inspectors General on Integrity and Efficiency and the Federal Audit Executive Council sponsored the training.

The EPA OIG was selected to prepare training due to its success in having suspension and debarment cases based solely on the results of audits, as well as its relationship with the EPA Suspension and Debarment office. The purpose of the training was to raise the profile of suspension and debarment within the inspector general community by offering practical suggestions and techniques for increasing the frequency with which OIGs recommend suspension and debarment remedies. The course demonstrated how audit, inspection and evaluation work can produce and support suspension and debarment actions.

The courses were held October 24, 2012; November 1, 2012; and January 30, 2013. Feedback on the courses was positive and, as a result, the Council of the Inspectors General on Integrity and Efficiency has asked the EPA OIG to participate in two additional courses during FY 2013.

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 Office of Management and Budget circulars, memoranda, executive orders, program operations manual, 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 six 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 was created by the Clean Air Act Amendments of 1990. 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 CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect and investigate CSB's programs, and to review proposed laws and regulations to determine their potential impact on CSB's programs and operations. Details on our work involving CSB are available at <http://www.csb.gov/service.default.aspx>.

CSB Needs a Follow-Up Process for OIG Recommendations

CSB did not have a follow-up process to allow for prompt implementation of agreed-to OIG audit recommendations.

CSB had unimplemented audit recommendations from an OIG FY 2011 audit report for over a year past the agreed-to dates for implementation. Also, CSB's tracking system did not assist in the prompt resolution and implementation of audit recommendations. By not having a follow-up process, controls over promoting efficiency and effectiveness within CSB's operations were weakened.

We recommended that CSB develop and implement a follow-up system as required by Office of Management and Budget guidance. CSB disagreed with our recommendation.

(Report No. 13-P-0128, Audit Follow-Up Process Needed for the U.S. Chemical Safety and Hazard Investigation Board, February 1, 2013)

CSB Complied With Improper Payments Elimination and Recovery Act

CSB was fully compliant with the reporting requirements of the Improper Payments Elimination and Recovery Act, which requires all agencies to review all programs and activities that may be susceptible to significant improper payments.

Under the Improper Payments Elimination and Recovery Act, agencies are required to report on improper payments, and inspectors general are required to determine whether the agency complies with the act. As required, CSB published its FY 2012 Performance

and Accountability Report on its website. We determined that CSB programs do not meet the minimum risk assessment threshold that would require the CSB to perform a risk assessment.

In evaluating the accuracy and completeness of CSB's reporting, we determined that CSB should improve its review of the Bureau of the Public Debt's testing results of CSB's improper payments. The bureau provides reimbursable administrative and information technology services and helps agencies reduce the number of improper payments issued. We recommended that CSB receive and review the results of the bureau's testing on at least a semiannual basis, and CSB concurred.

(Report No. 13-P-0177, U.S. Chemical Safety and Hazard Investigation Board Complies With Reporting Requirements of the Improper Payments Elimination and Recovery Act, March 12, 2013)

Statistical Data

Profile of Activities and Results

Audit and evaluation operations Office of Inspector General reviews	
	October 1, 2012 – March 31, 2013 (\$ in millions)
Questioned costs *	\$5.0
Recommended efficiencies *	\$45.3
Costs disallowed to be recovered	\$0.0
Costs disallowed as cost efficiency	\$17.3
Reports issued by OIG	28
Reports resolved (Agreement by Agency officials to take satisfactory corrective actions) **	120

Audit and evaluation operations Reviews performed by Single Audit Act auditors	
	October 1, 2012– March 31, 2013 (\$ in millions)
Questioned costs *	\$9.9
Recommended efficiencies *	\$0.0
Costs disallowed to be recovered	\$0.7
Costs disallowed as cost efficiency	\$0.0
Single Audit Act reviews	180
Agency recoveries	\$2.7
Recoveries from audit resolutions of current and prior periods (cash collections or offsets to future payments) ***	

Investigative Operations	
	October 1, 2012– March 31, 2013 (\$ in millions)
Total Fines and Recoveries ****	\$4,442
Cost Savings	\$95
Cases Opened During Period	55
Cases Closed During Period	99
Indictments/Informations of Persons or Firms	13
Convictions of Persons or Firms	9
Civil Judgments/Settlements/Filings	\$0

* 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 EPA's Office of Financial Management and is unaudited.

**** Fines and recoveries resulting from joint investigations, including \$4,442,276,265 resulting from the Deepwater Horizon Task Force investigation of the 2010 oil spill in the Gulf of Mexico.

Audit, Inspection and Evaluation Report Resolution

Status report on perpetual inventory of reports in resolution process for semiannual period ending March 31, 2013

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, 2012*	256	\$41,958	\$372,121	\$804	\$0
B. Which were issued during the reporting period	208	14,944	45,397	713	17,300
C. Which were issued during the reporting period that required no resolution	120	0	0	0	0
Subtotals (A + B - C)	244	56,902	417,518	1,517	17,300
D. For which a management decision was made during the reporting period	204	12,451	0	713	0
E. For which no management decision was made by March 31, 2013	40	45,460	420,626	0	0
F. Reports for which no management decision was made within 6 months of issuance	92	33,212	378,357	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.

Status of management decisions on OIG reports

This section presents additional statistical information that is required by the Inspector General Act of 1978, as amended, on the status of EPA management decisions on reports issued by the OIG involving monetary recommendations. Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by the OIG. Many of the reports were prepared by other federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to support the allowability of such costs subsequent to report issuance.

Table 1: Inspector general-issued reports with questioned costs for semiannual period ending March 31, 2013 (\$ in thousands)

Report category	No. of reports	Questioned costs *	Unsupported costs
A. For which no management decision was made by October 1, 2012 **	26	\$41,958	\$29,836
B. New reports issued during period	16	14,944	12,869
Subtotals (A + B)	42	56,902	42,705
C. For which a management decision was made during the reporting period:	10	124,51	11,972
(i) Dollar value of disallowed costs	6	478	11,972
(ii) Dollar value of costs not disallowed	4	11,973	0
D. For which no management decision was made by March 31, 2013	29	45,460	31,661
Reports for which no management decision was made within 6 months of issuance	13	33,212	21,035

* 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, 2013 (\$ in thousands)

Report Category	No. of reports	Dollar value
A. For which no management decision was made by October 1, 2012 *	2	\$372,121
B. Which were issued during the reporting period	6	45,397
Subtotals (A + B)	8	417,518
C. For which a management decision was made during the reporting period:	0	0
(i) Dollar value of recommendations from reports that were agreed to by management	0	0
(ii) Dollar value of recommendations from reports that were not agreed to by management	0	0
(iii) Dollar value of nonawards or unsuccessful bidders	0	0
D. For which no management decision was made by March 31, 2013	0	420,626
Reports for which no management decision was made within 6 months of issuance	7	378,357

* 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, 2013, 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	51	61
Assistance agreements	12	14
Contract audits	0	0
Single audits	18	21
Financial statement audits	3	4
Total	84	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, 2013.

	Semiannual period (October 1, 2012 - March 31, 2013)
Issues open at the beginning of the period	112
Inquiries received during the period	132
Inquiries closed during the period	134
Inquiries pending at the end of the period	110
Issues referred to others	
OIG offices	81
EPA program offices	34
Other federal agencies	12
State/local agencies/other	5

Summary of Investigative Results

Summary of investigative activity during reporting period

Cases open as of October 1, 2012	260
Cases opened during period	55
Cases closed during period	99
Cases pending as of March 31, 2013	216

Investigations pending by type as of March 31, 2013

	Superfund	Management	Split funded	Recovery Act	CSB	Total
Contract fraud	7	13	9	14	0	43
Assistance agreement fraud	0	16	7	14	0	37
Employee integrity	6	31	31	1	0	69
Program integrity	2	11	8	6	0	27
Computer crimes	0	4	15	0	0	19
Threat	1	3	1	0	0	5
Retaliation	0	0	0	0	0	0
Other	3	5	4	4	0	16
Total	19	83	75	39	0	216

Results of prosecutive actions

	EPA OIG only	Joint *	Total
Criminal indictments/informations/complaints	6	7	13
Convictions	6	3	9
Civil judgments/settlements/filings	2	0	2
Deportations	0	0	0
Fines and recoveries (including civil)	\$70,700	\$4,442,205,565	\$4,442,276,265
Prison time	18 months	151 months	169 months
Prison time suspended	0 months	0 months	0 months
Home detention	8 months	0 months	8 months
Probation	132 months	156 months	288 months
Community service	0 hours	0 hours	0 hours

* With another federal agency.

Administrative actions

	EPA OIG only	Joint *	Total
Suspensions	3	43	46
Debarments	11	17	28
Other administrative actions	35	8	43
Total	49	68	117
Administrative recoveries	\$277,860	\$226,633	\$504,493
Cost avoidance	\$0	\$95,218	\$95,218

* 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						
13-P-0028	Estimating and Leveraging Cost Savings	Oct. 22, 2012	\$0	\$0	\$0	\$0
13-P-0032	2012 EPA Federal Information Security Management Act Review	Oct. 26, 2012	0	0	0	0
13-P-0057	Corrective Actions for 2008 Indian General Assistance Program Report	Nov. 27, 2012	0	0	0	0
13-P-0127	Congressional Request on EPA Integrated Risk Information System	Jan. 31, 2013	0	0	0	0
13-P-0128	Audit Follow-Up Process for CSB	Feb. 01, 2013	0	0	0	0
13-P-0145	New Procedures Aided Region 5 in Reducing Unliquidated Obligations	Feb. 13, 2013	0	0	0	0
13-P-0152	Contingency Planning for Oil and Hazardous Substance Response	Feb. 15, 2013	0	0	0	0
13-P-0161	Air Emissions Data for the Oil and Natural Gas Production Sector	Feb. 20, 2013	0	0	0	0
13-P-0162	Reducing Space in Under-Utilized Facilities	Feb. 20, 2013	0	0	0	0
13-P-0163	Cost Recovery for Lead-Based Paint Fees Program	Feb. 20, 2013	0	0	0	42,000,000
13-P-0167	Measuring EPA's Rule Development Process	Feb. 28, 2013	0	0	0	0
13-P-0168	Response to Congressional Request on EPA Enforcement	Feb. 28, 2013	0	0	0	0
13-P-0175	EPA Improper Payments Elimination and Recovery Act Compliance	Mar. 11, 2013	0	0	0	0
13-P-0176	Measuring Results and Benefits of EPA's Superfund Removal Program	Mar. 11, 2013	0	0	0	0
13-P-0177	CSB Improper Payments Elimination and Recovery Act Compliance	Mar. 12, 2013	0	0	0	0
13-P-0178	EPA Training and Oversight for Risk Management Program Inspections	Mar. 21, 2013	0	0	0	0
13-P-0200	Physical Access and Cost Reasonableness for EPA's Smartcard Program	Mar. 27, 2013	0	0	0	0
13-P-0201	EPA Management of School Environmental Health Efforts	Mar. 27, 2013	0	0	0	0
13-P-0207	Hotline Complaint on Residential Soil Contamination, Cherryvale, Kansas	Mar. 28, 2013	0	0	0	0
13-P-0208	Fixed Price Contracting for Remedial Actions	Mar. 28, 2013	0	0	0	0
	TOTAL PERFORMANCE REPORTS = 20		\$0	\$0	\$0	\$42,000,000
SINGLE AUDIT REPORTS						
13-3-0001	Puerto Rico Environmental Quality Board, Commonwealth of - FY 2011	Oct. 04, 2012	\$1,950,951	\$3,113,289	\$0	\$0
13-3-0002	Fred Hutchinson Cancer Research Center - FY 2011	Oct. 09, 2012	0	0	0	0
13-3-0003	Granite Reeder Water and Sewer District, Idaho - FY 2011	Oct. 09, 2012	0	0	0	0
13-3-0004	Nome Joint Utility System, Alaska - FY 2010	Oct. 09, 2012	0	0	0	0
13-3-0005	Oak Lodge Sanitary District, Oregon - FY 2011	Oct. 09, 2012	0	0	0	0
13-3-0006	Maniilaq Association, Alaska - FY 2011	Oct. 10, 2012	0	0	0	0
13-3-0007	Pioneer Valley Planning Commission, Massachusetts - FY 2011	Oct. 10, 2012	0	0	0	0
13-3-0008	Cabazon Band of Mission Indians, California - FY 2011	Oct. 10, 2012	2,744	0	0	0
13-3-0009	Sarpy County Nebraska Sanitary and Improvement District No. 101	Oct. 10, 2012	0	0	0	0
13-3-0010	Upper Explorerland Regional Planning Commission, Iowa - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0011	Pittsburgh Commission, Pennsylvania, Port of - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0012	Port Authority of the City of St. Paul, Minnesota - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0013	Montana, State of - FY 2011	Oct. 11, 2012	0	418,072	0	0
13-3-0014	American Samoa Power Authority, American Samoa - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0015	Cleburne County Water District, Alabama - FY 2011	Oct. 11, 2012	0	6,968	0	0
13-3-0016	United South and Eastern Tribes Inc., Tennessee - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0017	Columbus, Nebraska, City of - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0018	Marion, Iowa, City of - FY 2011	Oct. 11, 2012	0	0	0	0
13-3-0019	Comm. Dev./Improvement Corp./Subsidiary, South Carolina - FY 2010	Oct. 11, 2012	0	0	0	0
13-3-0020	Genesee County Land Bank Authority, Michigan - FY 2011	Oct. 12, 2012	0	0	0	0
13-3-0021	Osceola County, Michigan - FY 2011	Oct. 12, 2012	0	0	0	0
13-3-0022	St. James, Minnesota, City of - FY 2011	Oct. 12, 2012	0	0	0	0
13-3-0023	Atoka, Tennessee, Town of - FY 2011	Oct. 12, 2012	0	0	0	0
13-3-0024	Aztec, New Mexico, City of - FY 2010	Oct. 15, 2012	0	0	0	0
13-3-0025	Crystal City, Texas, City of - FY 2011	Oct. 15, 2012	0	0	0	0
13-3-0026	Arlington, Texas, City of - FY 2011	Oct. 15, 2012	0	0	0	0
13-3-0027	Fort Worth, Texas, City of - FY 2011	Oct. 15, 2012	0	0	0	0
13-3-0029	Washington, Georgia, City of - FY 2011	Oct. 23, 2012	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
13-3-0030	Pascagoula, Mississippi, City of - FY 2011	Oct. 23, 2012	0	0	0	0
13-3-0031	Centreville, Mississippi, Town of - FY 2011	Oct. 23, 2012	0	0	0	0
13-3-0033	Redevelopment Authority, Montgomery County, Pennsylvania - FY 2011	Oct. 29, 2012	0	254,352	0	0
13-3-0034	Lake Pontchartrain Basin Foundation, Louisiana - FY 2011	Oct. 30, 2012	0	0	0	0
13-3-0036	West Wendover, Nevada, City of - FY 2011	Nov. 01, 2012	0	0	0	0
13-3-0037	Douglas County, Nevada - FY 2011	Nov. 01, 2012	0	0	0	0
13-3-0038	Arcola, Illinois, City of - FY 2012	Nov. 05, 2012	0	0	0	0
13-3-0039	Morrison, Illinois, City of - FY 2012	Nov. 05, 2012	0	0	0	0
13-3-0040	Sparks, Nevada, City of - FY 2011	Nov. 05, 2012	0	0	0	0
13-3-0041	Groom Creek Water Users Association, Arizona - FY 2010	Nov. 06, 2012	0	0	0	0
13-3-0042	Onondaga Environmental Institute Inc., New York - FY 2011	Nov. 06, 2012	0	355,292	0	0
13-3-0043	Pit River Tribe, California - FY 2011	Nov. 06, 2012	0	0	0	0
13-3-0044	South Tahoe Public Utility District, California - FY 2011	Nov. 06, 2012	0	0	0	0
13-3-0045	Newcastle Sanitary District, California - FY 2011	Nov. 06, 2012	0	0	0	0
13-3-0046	Broken Bow, Nebraska, City of - FY 2011	Nov. 07, 2012	0	0	0	0
13-3-0047	Rock Island Economic Growth Corporation, Illinois - FY 2011	Nov. 08, 2012	0	0	0	0
13-3-0048	Cedar Lake, Indiana, City of - FY 2011	Nov. 08, 2012	0	0	0	0
13-3-0049	Tahoe Regional Planning Agency, Nevada - FY 2011	Nov. 08, 2012	0	0	0	0
13-3-0050	Dewitt, New York, Town of - FY 2010	Nov. 09, 2012	0	0	0	0
13-3-0051	Lacrosse, Kansas, City of - FY 2011	Nov. 09, 2012	0	0	0	0
13-3-0052	Moberly, Missouri, City of - FY 2010	Nov. 09, 2012	0	0	0	0
13-3-0053	Gonzales, Louisiana, Parish of Ascension - FY 2011	Nov. 09, 2012	0	0	0	0
13-3-0055	Nye County, Nevada - FY 2010	Nov. 27, 2012	0	0	0	0
13-3-0056	Annapolis, Maryland, City of - FY 2011	Nov. 27, 2012	0	0	0	0
13-3-0058	Johnstown, Pennsylvania, City of - FY 2011	Nov. 27, 2012	0	0	0	0
13-3-0059	Steeltown Borough Authority, Pennsylvania - FY 2011	Nov. 27, 2012	0	0	0	0
13-3-0060	Orange County, California, Municipal Water District - FY 2011	Nov. 27, 2012	0	0	0	0
13-3-0061	San Diego, California, City of - FY 2010	Nov. 27, 2012	0	0	0	0
13-3-0062	El Cerrito, California, City of - FY 2011	Nov. 28, 2012	0	0	0	0
13-3-0063	Cahuilla Band of Indians, California - FY 2010	Nov. 28, 2012	0	0	0	0
13-3-0064	Environmental Council of the States Inc. and Affiliates, DC - FY 2011	Nov. 29, 2012	0	0	0	0
13-3-0065	Milford, Delaware, City of - FY 2011	Nov. 29, 2012	0	0	0	0
13-3-0066	Grand Portage Band of Chippewa Indians, Minnesota - FY 2011	Nov. 29, 2012	0	0	0	0
13-3-0067	Lac Courte Oreilles Band, Lake Superior Chippewa Indians, WI - FY 2011	Nov. 29, 2012	0	0	0	0
13-3-0068	Yurok Tribe, Klamath, California - FY 2011	Dec. 03, 2012	0	0	0	0
13-3-0069	Minto, North Dakota, City of - FY 2011	Dec. 06, 2012	0	0	0	0
13-3-0070	Stetsonville, Wisconsin, Village of - FY 2011	Dec. 06, 2012	0	0	0	0
13-3-0071	Nekoosa, Wisconsin, City of - FY 2011	Dec. 06, 2012	0	0	0	0
13-3-0072	Pine Lake, Georgia, City of - FY 2011	Dec. 10, 2012	0	0	0	0
13-3-0073	Marinette, Wisconsin, City of - FY 2011	Dec. 10, 2012	0	0	0	0
13-3-0074	Darlington, Indiana, Town of - FY 2011	Dec. 10, 2012	0	0	0	0
13-3-0075	Jefferson County, Ohio - FY 2011	Dec. 10, 2012	0	0	0	0
13-3-0076	Trenton, New Jersey, City of - FY 2011	Dec. 13, 2012	0	0	0	0
13-3-0077	Puerto Rico, University of - FY 2011	Dec. 13, 2012	0	0	0	0
13-3-0078	Yankton, South Dakota, City of - FY 2011	Dec. 18, 2012	0	0	0	0
13-3-0079	Friends of the Cheat, West Virginia - FY 2011	Dec. 19, 2012	0	0	0	0
13-3-0080	Native Village of Tununak, Alaska - FY 2009	Dec. 19, 2012	0	0	0	0
13-3-0081	Central Shoshone County Water District, Idaho - FY 2011	Dec. 19, 2012	0	0	0	0
13-3-0082	Fort Bend County Fresh Water Supply Dist. No. 1, Houston, TX - FY 2011	Dec. 19, 2012	0	0	0	0
13-3-0083	Madison, Wisconsin, Town of - FY 2011	Dec. 21, 2012	0	0	0	0
13-3-0084	Pueblo of Tesuque, New Mexico - FY 2011	Dec. 21, 2012	0	0	0	0
13-3-0085	Billings, Montana, City of - FY 2011	Dec. 27, 2012	0	0	0	0
13-3-0086	Faulton, South Dakota, City of - FY 2010	Dec. 27, 2012	0	0	0	0
13-3-0087	Chippewa Cree Tribe, Montana - FY 2011	Dec. 28, 2012	0	0	0	0
13-3-0088	Bigfork County Water and Sewer District, Bigfork, Montana - FY 2011	Dec. 28, 2012	0	0	0	0
13-3-0089	Lake Metigoshe Recreation Service District, ND - FYs 2009 & 2010	Dec. 28, 2012	0	0	0	0
13-3-0090	United Water System Inc., Louisiana - FY 2012	Jan. 03, 2013	0	0	0	0
13-3-0091	Chicago Park District, Chicago, Illinois - FY 2011	Jan. 03, 2013	0	0	0	0
13-3-0093	Crow Creek Sioux Tribe, South Dakota - FY 2010	Jan. 08, 2013	0	0	0	0
13-3-0094	National Tribal Environmental Council, New Mexico - FY 2007	Jan. 09, 2013	0	0	0	0
13-3-0095	Tifton, Georgia, City of - FY 2011	Jan. 10, 2013	0	0	0	0
13-3-0096	South Creek Township, Pennsylvania - FY 2010	Jan. 10, 2013	0	0	0	0
13-3-0097	Northern Cheyenne Tribe, Montana - FY 2011	Jan. 14, 2013	0	0	0	0
13-3-0098	Duncan, Oklahoma, City of - FY 2010	Jan. 14, 2013	0	0	0	0
13-3-0099	Pechanga Band of Luiseno Mission Indians, California - FY 2011	Jan. 14, 2013	0	0	0	0
13-3-0100	Anson Water District, Maine - FY 2011	Jan. 15, 2013	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
13-3-0101	Chilkat Indian Village, Alaska FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0102	Enterprise Rancheria of Maidu Indians of California, California - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0103	Northwest Regional Planning Commission, Wisconsin - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0104	Alliance to Save Energy and Affiliate, DC - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0105	Manitowoc County, Wisconsin - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0106	Hudson, New York, City of - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0107	Lovelace Respiratory Research Institute, New Mexico - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0108	Southern Ute Indian Tribe, Colorado - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0109	Leonardo Academy Inc., Wisconsin - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0110	Prairie du Chien, City of, Wisconsin - FY 2011	Jan. 16, 2013	0	0	0	0
13-3-0111	Greenville Sanitary District #1 Greenville, Wisconsin - FY 2011	Jan. 17, 2013	0	0	0	0
13-3-0112	Rockford, Illinois, City of - FY 2011	Jan. 17, 2013	0	0	0	0
13-3-0113	Snow Hill, Maryland, Town of - FY 2012	Jan. 18, 2013	0	0	0	0
13-3-0114	Aberdeen, Maryland, City of - FY 2012	Jan. 18, 2013	0	0	0	0
13-3-0115	Glades Utility Authority, Florida - FY 2010	Jan. 18, 2013	0	0	0	0
13-3-0117	Slatington Borough Authority, Pennsylvania - FY 2012	Jan. 23, 2013	0	0	0	0
13-3-0118	Ottawa County, Ohio - FY 2011	Jan. 24, 2013	0	0	0	0
13-3-0119	United States Virgin Islands - FY 2010	Jan. 25, 2013	0	0	0	0
13-3-0120	Southern New Hampshire Planning Commission, New Hampshire	Jan. 29, 2013	0	0	0	0
13-3-0121	Cascade Sierra Solutions - FY 2011	Jan. 29, 2013	0	2,961,692	0	0
13-3-0122	Pacific Northwest Pollution Prevention Resource Center, Washington	Jan. 29, 2013	0	0	0	0
13-3-0123	La Jolla Band of Luiseno Indians, California - FY 2011	Jan. 29, 2013	32,093	0	0	0
13-3-0124	Pala Band of Mission Indians, California - FY 2011	Jan. 29, 2013	0	0	0	0
13-3-0126	Smith River Rancheria, California - FY 2011	Jan. 31, 2013	0	0	0	0
13-3-0129	Waynesville, Missouri, City of - FY 2012	Feb. 01, 2013	0	0	0	0
13-3-0130	Belmond, Iowa, City of - FY 2012	Feb. 01, 2013	0	0	0	0
13-3-0131	Alexandria, Louisiana, City of - FY 2012	Feb. 01, 2013	0	0	0	0
13-3-0132	Cortina Indian Rancheria of Wintun Indians of California - FY 2011	Feb. 01, 2013	0	15,716	0	0
13-3-0133	Hopi Tribe, Arizona - FY 2009	Feb. 01, 2013	0	0	0	0
13-3-0134	Valley City, North Dakota, City of - FY 2011	Feb. 01, 2013	0	0	0	0
13-3-0135	Rapid City, South Dakota, City of - FY 2011	Feb. 01, 2013	0	0	0	0
13-3-0136	Owner-Op. Independent Drivers Assoc. Foundation Inc., MO - FY 2011	Feb. 05, 2013	0	0	0	0
13-3-0137	Cold Springs Rancheria of Mono Indians, California - FY 2011	Feb. 05, 2013	0	0	0	0
13-3-0138	Lawton, Oklahoma, City of - FY 2011	Feb. 11, 2013	0	0	0	0
13-3-0139	Minneapolis Park and Recreation Board, Minnesota - FY 2011	Feb. 11, 2013	0	0	0	0
13-3-0140	Keokuk Municipal Water Works, Iowa - FY 2011	Feb. 11, 2013	0	0	0	0
13-3-0141	Flushing, Ohio, Village of - FY 2011	Feb. 11, 2013	0	0	0	0
13-3-0142	Pittston, Pennsylvania, City of - FY 2011	Feb. 12, 2013	0	0	0	0
13-3-0143	Winchester, Virginia, City of - FY 2012	Feb. 12, 2013	0	0	0	0
13-3-0144	Okemah, Oklahoma, City of - FY 2012	Feb. 12, 2013	0	0	0	0
13-3-0146	Bishop Paiute Tribe, California - FY 2011	Feb. 13, 2013	0	8,296	0	0
13-3-0147	Tahoe Regional Planning Agency, Nevada - FY 2012	Feb. 13, 2013	0	0	0	0
13-3-0148	Douglas County, Nevada - FY 2012	Feb. 13, 2013	0	0	0	0
13-3-0149	Fort Bidwell Indian Community Council, California - FY 2011	Feb. 13, 2013	89,839	0	0	0
13-3-0150	Show Low, Arizona, City of - FY 2012	Feb. 13, 2013	0	0	0	0
13-3-0151	Illinois, University of, Illinois - FY 201	Feb. 14, 2013	0	0	0	0
13-3-0155	Erwin, New York, Town of - FY 2010	Feb. 15, 2013	0	0	0	0
13-3-0156	Virginia, Minnesota, City of - FY 2011	Feb. 15, 2013	0	0	0	0
13-3-0157	Warren, Minnesota, City of - FY 2011	Feb. 19, 2013	0	0	0	0
13-3-0158	Three River, Michigan, City of - FY 2012	Feb. 19, 2013	0	0	0	0
13-3-0159	Summit Lake Paiute Tribe, Nevada - FY 2010	Feb. 19, 2013	0	155,437	0	0
13-3-0160	Summit Lake Paiute Tribe, Nevada - FY 2011	Feb. 19, 2013	0	27,133	0	0
13-3-0164	Nogales, Arizona, City of - FY 2011	Feb. 25, 2013	0	0	0	0
13-3-0165	Pribilof Islands Aleut Community of St. George Island, Alaska - FY 2006	Feb. 25, 2013	0	0	0	0
13-3-0166	Southern Maine Regional Planning Commission, Maine - FY 2012	Feb. 25, 2013	0	0	0	0
13-3-0169	Tyler, Minnesota, City of - FY 2011	Feb. 28, 2013	0	0	0	0
13-3-0170	Rushford, Minnesota, City of - FY 2011	Feb. 28, 2013	0	0	0	0
13-3-0171	Olivia, Minnesota, City of - FY 2011	Feb. 28, 2013	0	0	0	0
13-3-0172	New London, Minnesota, City of - FY 2011	Feb. 28, 2013	0	0	0	0
13-3-0173	Blooming Prairie, Minnesota, City of - FY 2011	Feb. 28, 2013	0	0	0	0
13-3-0174	Miami, Arizona, Town of - FY 2010	Mar. 06, 2013	0	200,000	0	0
13-3-0179	Lewistown, Montana, City of - FY 2011	Mar. 21, 2013	0	0	0	0
13-3-0180	Michigan Infrastructure & Transportation Association, Michigan - FY 2011	Mar. 21, 2013	0	353,000	0	0
13-3-0181	Monroe, Michigan, City of - FY 2012	Mar. 21, 2013	0	0	0	0
13-3-0182	Northland College, Wisconsin - FY 2012	Mar. 21, 2013	0	0	0	0
13-3-0183	Palau National Government, Republic of - FY 2010	Mar. 21, 2013	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
13-3-0184	King County, Washington - FY 2011	Mar. 22, 2013	0	0	0	0
13-3-0185	Oahu Resource Conservation and Develop. Council, Hawaii - FY 2011	Mar. 22, 2013	0	0	0	0
13-3-0186	Yomba Shoshone Tribe, Nevada - FY 2011	Mar. 22, 2013	0	0	0	0
13-3-0187	Washington Terrace, Utah, City of - FY 2012	Mar. 25, 2013	0	0	0	0
13-3-0188	Atlantic States Rural Water and Wastewater Assoc., Maine - FY 2011	Mar. 25, 2013	0	0	0	0
13-3-0189	Algood, Tennessee, City of - FY 2011	Mar. 25, 2013	0	0	0	0
13-3-0190	Milton, Indiana, Town of - FY 2011	Mar. 25, 2013	0	0	0	0
13-3-0191	Kauai, Hawaii, County of - FY 2012	Mar. 26, 2013	0	0	0	0
13-3-0192	Great Lakes Observing System-Regional Assoc., Michigan - FY 2012	Mar. 26, 2013	0	0	0	0
13-3-0193	Roxboro, North Carolina, City of - FY 2010	Mar. 26, 2013	0	0	0	0
13-3-0194	Helen, Georgia, City of - FY 2012	Mar. 26, 2013	0	0	0	0
13-3-0195	Troy, Vermont, Town of - FY 2010	Mar. 27, 2013	0	0	0	0
13-3-0196	Minersville Sewer Authority, Pennsylvania - FY 2011	Mar. 27, 2013	0	0	0	0
13-3-0197	North East, Maryland, Town of - FY 2010	Mar. 27, 2013	0	0	0	0
13-3-0198	Hammond, Indiana, City of - FY 2011	Mar. 27, 2013	0	0	0	0
13-3-0199	Taylor County, Wisconsin - FY 2011	Mar. 27, 2013	0	0	0	0
13-3-0202	Independence, Oregon, City of - FY 2012	Mar. 27, 2013	0	0	0	0
13-3-0203	Litchfield, Illinois, City of - FY 2012	Mar. 27, 2013	0	0	0	0
13-3-0204	Selma, North Carolina, Town of - FY 2012	Mar. 27, 2013	0	0	0	0
13-3-0205	Nunakauyak Traditional Council, Alaska - FY 2011	Mar. 28, 2013	0	0	0	0
TOTAL SINGLE AUDIT REPORTS = 180			\$2,075,627	\$7,869,247	\$0	\$0
FINANCIAL STATEMENT REPORTS						
13-1-0054	Audit of EPA's Fiscal 2012 and 2011 Consolidated Financial Statements	Nov. 15, 2012	\$0	\$0	\$0	\$900,000
TOTAL FINANCIAL STATEMENT REPORTS = 1			\$0	\$0	\$0	\$900,000
ATTESTATION REPORTS						
13-4-0116	Solicitation No. SOL-HQ-12-00006 Proposal by Toeroek Associates, Inc.	Jan. 23, 2013	\$0	\$0	\$0	\$2,319,731
13-4-0125	Solicitation No. SOL-HQ-12-00005 Proposal, AEMG	Jan. 30, 2013	0	0	0	114,154
13-4-0153	Office of Acquisition Management Request - Seagull Environmental	Feb. 15, 2013	0	0	0	44,393
13-4-0154	Office of Acquisition Management Request - SES Inc	Feb. 15, 2013	0	0	0	19,201
TOTAL ATTESTATION REPORTS = 4			\$0	\$0	\$0	\$2,497,479
NON-AUDIT REPORTS						
13-N-0035	Compendium of Unimplemented Recommendations as 9/30/12	Oct. 31, 2012	\$0	\$0	\$0	\$0
TOTAL NON-AUDIT REPORTS = 1			\$0	\$0	\$0	\$0
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 REPORTS						
13-R-0092	Combined Sewer Overflow Detention Facility, City of Goshen, Indiana	Jan. 08, 2013	\$0	\$5,000,000	\$0	\$0
13-R-0206	Cooperative Agreement for Idaho Department of Environmental Quality	Mar. 28, 2013	0	0	0	0
TOTAL AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 REPORTS = 2			\$0	\$5,000,000	\$0	\$0
TOTAL REPORTS ISSUED = 208			\$2,075,627	\$12,869,247	0	\$45,397,479

Appendix 2—Reports Issued Without Management Decisions

For Reporting Period Ended March 31, 2013

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. Office of Management and Budget 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, 2013.

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: While the Pathways Program Bulletin has been finalized, there is currently no corrective action plan ready for submission to the OIG for approval. A corrective action plan will be ready for submission to the OIG for approval on June 30, 2013.

OIG Follow-Up Status: Incomplete response.

Report No. 10-P-0177, EPA's Revised Hiring Process Needs Additional Improvements, August 9, 2010

Summary: This report reviewed the EPA's appointment process managed by its Office of Administration and Resources Management to determine how the new process for filling vacancies can be more efficient and effective. The OIG found that the EPA had not implemented critical technology upgrades or obtained other resources necessary for the service center concept to succeed. Also, service centers did not consistently provide program managers with the best candidates, and data quality and recruitment action processes need improvement. OIG recommendations included making changes to EPA Order 1110.8A5, *EPA Reorganization Policy*.

Agency Explanation: A new reorganization proposal has been loaded onto the Intranet as of December 5, 2012. The link to the site is: <http://intranet.epa.gov/ohr/programs/reorg.start.htm>.

OIG Follow-Up Status: Proposed response received in review process.

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 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 designated by the OIG as “resolution on hold – beyond agency control.” Therefore, an expected resolution date cannot be determined at this time.

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

Office of Air and Radiation

Report No. 09-P-0151, EPA Does Not Provide Oversight of Radon Testing Accuracy and Reliability, May 12, 2009

Summary: The EPA does not perform oversight of radon testing device accuracy or reliability. The 1988 Indoor Radon Abatement Act required that the EPA establish proficiency programs for firms offering radon-related services, including testing and mitigation. The EPA established and operated proficiency programs until 1998, when it disinvested in these programs. The EPA asserts that it shares oversight responsibility with states and industry, including the two national proficiency programs operating under private auspices. However, without oversight, the EPA cannot assure that radon testing devices provide accurate data on indoor radon risks or that radon testing laboratories accurately analyze and report radon results. We recommended that the EPA disclose that while radon testing is recommended, the EPA cannot provide assurance that commercially available radon testing devices or testing laboratories are accurate and reliable. The EPA generally agreed with this recommendation and stated that it will review and revise both its Web-based and printed public materials, as appropriate. However, the agency did not provide information on how it intends to characterize the accuracy and reliability of radon testing in its public documents, and more information is needed.

Agency Explanation: The OIG issued a memo after the close of the reporting period accepting the Office of Air and Radiation’s revised corrective action plan.

OIG Follow-Up Status: Incomplete response.

Office of Grants and Debarment

Report No. 12-3-0007, Cascade Sierra Solutions, 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: The Office of Grants and Debarment continues to concentrate and work with Cascade Sierra Solutions to obtain and evaluate information in response to OIG report 12-R-0749 for the Smartway 2 cooperative agreement. Once completed, the Office of Grants and Debarment will work with Cascade Sierra Solutions to address and resolve the findings identified by the OIG from their review of Cascade Sierra Solutions’ FY 2010 A-133 single audit. The Office of Grants and Debarment hopes to issue its management decision for the single audit by September 30, 2013. The U.S. Department of Energy is the cognizant agency for Cascade Sierra Solutions.

OIG Follow-Up Status: Report reactivated – waiting for response.

Report No. 12-3-0591, National Center for Manufacturing Sciences and Subsidiaries - FY 2011, July 20, 2012

Summary: This review found that certain contracts used by the National Center for Manufacturing Sciences did not add a clause within subcontracts with pass-through entities to verify that contractors are not suspended or debarred.

Agency Explanation: The Office of Grants and Debarment plans to issue a management decision to the National Center for Manufacturing Sciences confirming its acceptance of the corrective action in the near future. The Office of Grants and Debarment hopes to issue its management decision for this single audit review by June 30, 2013.

OIG Follow-Up Status: None provided.

Report No. 12-3-0674, Galeton Area School District, Pennsylvania - FY 2011, August 16, 2012

Summary: This review found that the Galeton Area School District did not have documentation to substantiate certain controls for purchasing goods and services. In addition, the district did not have adequate segregation of duties over record keeping and financial reporting functions.

Agency Explanation: The Office of Grants and Debarment plans to issue a management decision to the Galeton Area School District confirming its acceptance of the corrective action in the near future. The Office of Grants and Debarment hopes to issue its management decision for this single audit review by June 30, 2013.

OIG Follow-up Status: None provided.

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 Office of Grants and Debarment continues to work on developing and issuing the agency's management decision to address the OIG findings listed in the audit report on X7-83325501 awarded to Kathleen S. Hill. The Office of Grants and Debarment hopes to issue its management decision for this audit by June 30, 2013.

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: This review found that 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, Cascade Sierra Solutions' 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 Office of Management and Budget guidance. As a result, we were unable to provide an opinion on the financial resources, related liabilities, revenue, expenses and residual balances. Therefore, we have questioned the \$9 million drawn as unallowable costs.

Agency Explanation: The Office of Grants and Debarment has been working extensively with Cascade Sierra Solutions to substantiate costs incurred under the cooperative agreement and address/resolve the OIG recommendations in the report. The Office of Air and Radiation has granted Cascade Sierra Solutions an extension to March 31, 2013, to complete all work associated with the cooperative agreement, including retrofit of vehicles addressed in OIG recommendation 7. The Office of Grants and Debarment has placed Cascade Sierra Solutions on reimbursement and imposed special conditions per OIG recommendation 4. The Office of Grants and Debarment hopes to issue its management decision for this audit by June 30, 2013.

OIG Follow-Up Status: None provided.

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 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. 08-1-0130, Morrison Knudsen Corporation—FY 1999 Incurred Costs, April 15, 2008

Summary: DCAA questioned \$3,705,233 in claimed direct costs and \$3,472,023 in proposed indirect costs and rates, a total of \$7,177,256 in questioned costs. The EPA's share of questioned costs is \$57,369.

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. 08-1-0131, Washington Group International, Inc.—FY 2001 Incurred Costs, April 15, 2008

Summary: DCAA questioned \$2,208,686 of claimed direct costs and \$13,757,945 of proposed indirect costs and rates, a total of \$15,966,631. The EPA's share of the questioned costs is \$44,648.

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 2—Regional Administrator**Report No. 12-3-0198, Onondaga Environmental Institute New York – FY 2009, January 2012**

Summary: This review found that the organization lacks sufficient internal controls over the financial records and the preparation of the financial statements to prevent or detect errors in the financial data, including those which may be material in relation to the financial statements. Assets and liabilities, along with related revenue and expense accounts, were materially misstated and, in some instances, adequate supporting documentation was not available. The review also found that the organization lacks adequate professional expertise and technical skill to maintain complete and accurate financial records, along with adequate supporting documentation.

Agency Explanation: The grantee's corrective action plan is not fully satisfactory to Region 2. We continue to have dialogue with the grantee, and expect to issue a management decision by June 30, 2013.

OIG Follow-Up Status: No response.

Report No. 12-3-0721, Canastota, New York, Village of – FY 2011, July 20, 2012

Summary: This review found that the Canastota Village did not have internal controls in place for the preparation of financial statements. The village incorrectly reported contract wages under Catalog of Federal Domestic Assistance 66.458.3. The village received grant funds under 66.202 for \$485,000 on April 25, 2011, but the funds were not expended until June and July of 2011. In addition, the single auditor noted deferred revenue of \$67,068 in the Capital Project Fund related to unspent EPA state and tribal grant funds.

Agency Explanation: Region 2 is currently pursuing documentation from the grantee to document costs from this grant; a number of federal and state agencies funded this project. Region 2 anticipates issuing a management decision by June 30, 2013.

OIG Follow-Up Status: None provided.

Report No. 12-3-0734, Onondaga Environmental Institute New York – FY 2010, August 23, 2012

Summary: This review found that the organization lacked sufficient internal controls over the financial records and the preparation of the financial statements to prevent or detect errors in the financial data. The institute lacked individuals with adequate professional expertise and technical skill to maintain complete and accurate financial records. In addition, supporting documentation was lacking in certain circumstances. The review also found that the institute did not have controls, policies or procedures to minimize time elapsed between the transfer and disbursement. As a result, advanced funds were used for general management. Similar findings were noted in the prior year audit report.

Agency Explanation: The grantee's corrective action plan is not fully satisfactory to Region 2. The region continues to have dialogue with the grantee, and expects to issue a management decision by June 30, 2013.

OIG Follow-Up Status: Incomplete response.

Region 3—Regional Administrator**Report No. 12-3-0748, Delaware, State of – FY 2011, August 31, 2012**

Summary: The Delaware Department of Health and Social Services had findings for two subrecipients that were repeated from the FY 2010 audit report. For one of 65 department employees tested, time was split between the Drinking Water State Revolving Fund and another federal program, but an appropriate time and effort report was not obtained. The single auditors questioned \$1,280. A similar finding was noted in the prior year audit report. In addition, the Delaware Clean Water grant was improperly posted for \$6.3 million when it should have been zero. Due to the significance of this error, an adjustment was made to the financial statements. A similar finding was noted in the prior year audit report.

Agency Explanation: Due to backlog, this audit was not completed. The agency expects it to be closed out by June 30, 2013.

OIG Follow-Up Status: None provided

Report No. 12-3-0780, Hampton Roads Clean Cities Corporation, Virginia – FY 2011, September 10, 2012

Summary: This review found that, due to a limited number of staff, the accounting functions are assigned to staff based on their availability. Additionally, these individuals have limited knowledge of accounting. The corporation's financial statements were prepared by outside auditors and then reviewed by management. The single auditors proposed significant adjustments to accounts.

Agency Explanation: Due to backlog this audit was not completed. The agency expects it to be closed out by June 30, 2013.

OIG Follow-Up Status: None provided.

Report No. 12-4-0720, Examination of Costs Claimed Under EPA Cooperative Agreements CB-97324705 Awarded to Alliance for the Chesapeake Bay, Inc., August 22, 2012

Summary: This review found that the recipient achieved the intended result of producing the *Bay Journal*, but did not comply with the Code of Federal Regulations regarding procurement and financial management requirements. The recipient did not prepare and document a cost or price analysis, nor evaluate the performance of its *Bay Journal* contractor. In addition, accounting records do not support its federal financial records. We questioned project costs totaling \$1,357,035. The recipient's written policies and procedures do not include necessary guidance to ensure compliance with the Code of Federal Regulations. When recipients do not complete required cost or price analysis, there is no assurance that costs are fair and reasonable. Due to noncompliance issues and procurement policy and procedure weaknesses, the recipient may not have the capability to manage current and future grant awards.

Agency Explanation: The proposed management decision letter was sent to the OIG on March 27, 2013.

OIG Follow-Up Status: Proposed decision under review.

Report No. 12-3-0791, Sharpstown, Pennsylvania, Borough of – FY 2011, September 12, 2012

Summary: This review found that the borough lacked the resources necessary to prepare its own financial statements and footnotes for external reporting purposes.

Agency Explanation: Due to backlog this audit was not completed. The agency expects it to be closed out by June 30, 2013.

OIG Follow-Up Status: None provided.

Report No. 12-3-0494, Redevelopment Authority, Montgomery County, Pennsylvania – FY 2010

Summary: This review found that the authority did not have adequate segregation of duties over cash receipts and disbursements. The authority requested the single auditor's assistance in preparing the financial statements.

Agency Explanation: The management determination letter is currently being signed and will be mailed to grantee by April 5, 2013.

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, EPA should recover \$1,192,500 in costs questioned under the grant. The grantee failed to properly allocate the questioned costs primarily because EPA provided incorrect guidance and inadequately monitored the grant. The region must recognize 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 recommend that the regional administrator, 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: On March 12, 2013, Region 4 responded to the OIG with a second proposed management decision. Region 4 augmented its response on March 27, 2013, and is awaiting response

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

Region 5—Regional Administrator

Report No. 11-R-0700, American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant—Phase II Improvement Projects, City of Ottawa, Illinois, September 23, 2011

Summary: The city could not provide sufficient documentation to support that some manufactured goods used on the project met the Buy American requirements of Section 1605 of the Recovery Act. The documentation did not demonstrate clearly that items were either manufactured or substantially transformed in the United States. As a result, the state's use of over \$3.8 million of Recovery Act funds on the project is prohibited by Section 1605 of the Recovery Act, unless a regulatory option is exercised. We recommended that the regional administrator employ the procedures set out in the Code of Federal Regulations to resolve the noncompliance on the Ottawa project.

Agency Explanation: The OIG does not agree with the agency's final determination – this audit is in dispute.

OIG Follow-Up Status: Resolution under negotiation in headquarters.

Report No. 12-R-0377, American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant, Village of Itasca, Illinois, March 30, 2012

Summary: This review found that the village of Itasca did not comply with the Buy American requirements of the Recovery Act. Steel pipes and fittings used in the project were manufactured in foreign countries. We also identified other manufactured goods that did not comply with Buy American requirements. As a result, the project is not eligible for the \$10 million of Recovery Act funds authorized by the state unless the EPA exercises a regulatory option.

Agency Explanation: The OIG does not agree with the agency's final determination – this audit is in dispute.

OIG Follow-Up Status: Proposed response received in review process.

Report No. 12-R-0789, American Recovery and Reinvestment Act Site Visit of Wastewater Treatment Plant Improvements Project, City of Nappanee, Indiana, September 12, 2012

Summary: We noted in our draft report seven out of 32 instances where the city could not demonstrate compliance with Buy American requirements as set out in Section 1605 of the Recovery Act. In response, the city provided documentation and agreed to take corrective actions to replace two items with products that meet the Buy American requirements. We agree that six of the seven items now comply with the requirements. For the one remaining item, the city could not demonstrate that the item was manufactured in the United States, as required by the Recovery Act. As a result, the project is not eligible for the \$1,769,000 of Recovery Act funds authorized by the state unless the EPA exercises a regulatory option.

Agency Explanation: The OIG does not agree with the agency's final determination – this audit is in dispute.

OIG Follow-Up Status: Headquarters appeal to Audit Resolution Board.

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 40 Code of Federal Regulations Parts 31 and 35, and Office of Management and Budget 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: A revised analysis has been completed at the request of the Office of Grants and Debarment and the region is preparing a final determination letter for approval. Projected completion date is June 30, 2013.

OIG Follow-Up Status: Proposed response received in review process.

Region 9—Regional Administrator

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 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: The OIG had referred the subject audit to the Office of Special Counsel for resolution. The status of the three recommendations listed in the final report is still undecided. Recommendation 1 is directed to Region 9 and is pending for the Office of Special Counsel's decision. As of March 15, 2013, Region 9 had not received any decision from the Office of Special Counsel.

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

**Total reports issued before reporting period for which
no management decision had been made as of March 31, 2013 = 29**

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/2013/20130430-13-N-0227.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 EPA OIG completed an external peer review of the system of quality controls for the OIG audit organization of the U.S. Department of Agriculture and issued a report on November 13, 2012. The review, covering the period of April 1, 2009, through March 31, 2012, was conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. The EPA OIG's system review report recognized that the U.S. Department of Agriculture OIG audit organization's system of quality control was "suitably designed and complied with" to provide "reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects." The U.S. Department of Agriculture OIG audit organization received a peer review rating of *pass*. The accompanying letter of comment identified areas for improvement and included three recommendations. The U.S. Department of Agriculture OIG has completed corrective actions to address two of the three recommendations, and has made progress in implementing corrective actions for the remaining recommendation.

Also during the semiannual reporting period, the EPA OIG conducted a quality assessment review of the investigative operations of the U.S. Veterans Administration. We reviewed the system of internal safeguards and management procedures in effect for the period October 1, 2011, through September 30, 2012. The review was conducted in conformity with the Quality Standards for Investigations and the Quality Assessment Review Guidelines established by the Council of the Inspectors General on Integrity and Efficiency, and the Attorney General's Guidelines for Office of Inspectors General with Statutory Law Enforcement Authority, as applicable. The final report is pending.

The most recent peer review report on the EPA OIG itself 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
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