



U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress

October 1, 2008 - March 31, 2009



Abbreviations

BEI	Bennett Environmental, Inc.
DCAA	Defense Contract Audit Agency
ECO	Environmental Careers Organization, Inc.
EPA	U.S. Environmental Protection Agency
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FY	Fiscal Year
GIAMD	Grants and Interagency Agreements Management Division
ICTS	Institutional Controls Tracking System
IGEMS	Inspector General Enterprise Management System
MACT	Maximum Achievable Control Technology
NEI	National Emissions Inventory
OIG	Office of Inspector General
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
PBDE	Polybrominated Diphenyl Ether
PCBs	Polychlorinated Biphenyls
PMRS	Performance Measurement and Results System

Cover photos: *From left:* Damage from an explosion and fire fueled by a substance regulated by the Risk Management Program (photo courtesy U.S. Chemical Safety and Hazard Investigation Board); hurricanes, as shown striking a seawall, may occur as a result of climate change (photo courtesy National Oceanic and Atmospheric Administration); and container ships, such as the one shown at berth, impact air emissions at U.S. ports (EPA OIG photo).

To find out more about the U.S. Environmental Protection Agency
Office of Inspector General and its activities, visit our Website at:

<http://www.epa.gov/oig>



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Message to Congress

Overseeing how the U.S. Environmental Protection Agency (EPA) spends the \$7.2 billion it is receiving under the American Recovery and Reinvestment Act of 2009 will be a critical part of our work in the next few years. The EPA Office of Inspector General has received \$20 million for oversight activities through September 30, 2012. We will perform audits, investigations, and other reviews as needed to determine whether EPA is spending its Recovery Act funds economically and efficiently, and we will look carefully for instances of fraud, waste, and abuse. We will also review, as appropriate, any concerns raised by the public about specific investments. We will strive for transparency in all our efforts.

As part of our Recovery Act efforts, we have already adopted an initial plan that outlines our primary objectives, and are developing a detailed audit assignment plan as well as a detailed investigative plan that encompasses education and outreach programs. We designed our initial plan to make sure funds are awarded properly, the administrators and recipients of the funds are trained to identify fraud indicators and report on offenses, the use of all funds is transparent to the public, funds are used for authorized purposes only, no unnecessary delays or cost overruns occur, and program goals are achieved. While we will pay special attention to Recovery Act funds, we will also continue our regular work to prevent and detect fraud, waste, and abuse.

We have provided the Agency a list of management challenges for Fiscal Year 2009. In addition to eight challenges that were included in the 2008 list, we have added two new challenges: "Management of Stimulus Funds" and "Safe Reuse of Contaminated Sites." The Agency will face significant challenges in meeting Recovery Act requirements while continuing to carry out its ongoing programs. Recovery Act grant and contract awards will contain new conditions, and there is an emphasis on awarding the funds quickly. EPA will need to focus considerable attention on ensuring that Recovery Act funds produce desired results and minimize cost overruns and project delays.

During the semiannual reporting period ended March 31, 2009, we noted several issues related to homeland security. EPA can improve management and oversight of the Clean Air Act's Risk Management Program to better assure that facilities covered by the program submit or re-submit a Risk Management Plan and comply with program requirements. The purpose of the program is to reduce the likelihood of airborne chemical releases that could harm the public and mitigate the consequences of releases that do occur. However, EPA has not established national procedures to identify covered facilities that had not submitted plans, and the Agency needs to strengthen its inspection process. We also found that while the Agency has made progress in implementing counter terrorism/emergency response initiatives, it is behind schedule in implementing

the Radiation Ambient Monitoring System. As a result, EPA may have less information about levels of radiation should a national radiological or nuclear emergency occur.

We noted in a report that EPA needs a comprehensive plan on climate change. EPA does not have an overall plan to ensure developing consistent, compatible climate change strategies across the Agency. EPA regions and offices reported the need for technical climate change research and tools as well as other climate change policy guidance and direction. The lack of an overall policy can result in duplication, inconsistent approaches, and wasted resources.

The reported savings claims for EPA's ENERGY STAR program were inaccurate and the reported annual savings unreliable. We identified deficiencies with shipment data and the process used in calculating benefits, as well as the methodology used to compute commercial sector benefits under the program.

We informed EPA of interagency agreements with at least \$6.5 million that should be deobligated; the Agency has already deobligated \$2.3 million of that amount and is addressing the remainder.

As a result of our investigative work, a company was sentenced to 5 years' probation and ordered to pay a \$1 million fine and more than \$1.6 million in restitution to EPA, stemming from a bid rigging scheme in awarding subcontracts for a New Jersey Superfund site. As a result of another investigation, two businessmen received prison sentences after pleading guilty to storing hazardous waste at a textile factory in Pennsylvania.

We know that the next few years will be challenging ones as the Office of Inspector General works with the Agency to ensure that Recovery Act and other funding is expended efficiently and effectively to safeguard human health and the environment.



Bill A. Roderick
Acting Inspector General

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Inspector General Act of 1978, as Amended

Requirement	Subject	Pages
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Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	54-56
Section 5(a)(7)	Summaries of significant reports	13-35, 40-41
Section 5(a)(8)	Audit, inspection, and evaluation reports - questioned costs	48-50, 53-56
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Section 5(a)(10)	Prior audit, inspection, and evaluation reports unresolved	49-50, 57-70
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None

About EPA and Its Office of Inspector General

U.S. Environmental Protection Agency

The mission of the U.S. Environmental Protection Agency (EPA) is to protect human health and the environment. As America's steward for the environment since 1970, EPA works 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 develops and enforces regulations that implement national environmental laws, and works with its partners and stakeholders to identify, research, and solve/mitigate current and future environmental problems. EPA's long-term strategic goals are:

1. Clean air and reversing global climate change
2. Clean and safe water
3. Land preservation and restoration
4. Healthy communities and ecosystems
5. Compliance and environmental stewardship

EPA provides grants to States, tribes, nonprofit organizations, and educational institutions; supports pollution prevention and energy conservation; and promotes environmental education for all Americans. EPA employs approximately 17,000 people across the country, including Headquarters offices in Washington, DC; 10 regional offices; and more than a hundred laboratories and field sites. For Fiscal Year (FY) 2009, EPA has a budget of \$7.6 billion. In addition, EPA has received \$7.2 billion under the American Recovery and Reinvestment Act of 2009 through FY 2011.

EPA Office of Inspector General

The Office of Inspector General (OIG) is an independent office of EPA that detects and prevents fraud, waste, and abuse in an effort to help the Agency protect human health and the environment in a more efficient and cost-effective manner. Although we are part of EPA, Congress provides us with a separate budget line item from the Agency as part of ensuring our independence. The EPA OIG was created and is governed by the Inspector General Act of 1978 (P.L. 95-452). The legislative history for the Inspector General Act is found in Senate Report 95-1071 and House Report 95-584 and provides background information on Congress' intent when it enacted the legislation. The Inspector General

Act was amended twice, first in 1988 (P.L. 100-504) and again in 2002 (P.L. 107-296). Last year, Congress enacted the Inspector General Reform Act of 2008 (P.L. 110-409 [H.R. 928]), which, in part, enhanced the independence of the Inspectors General.

Vision of the EPA OIG

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

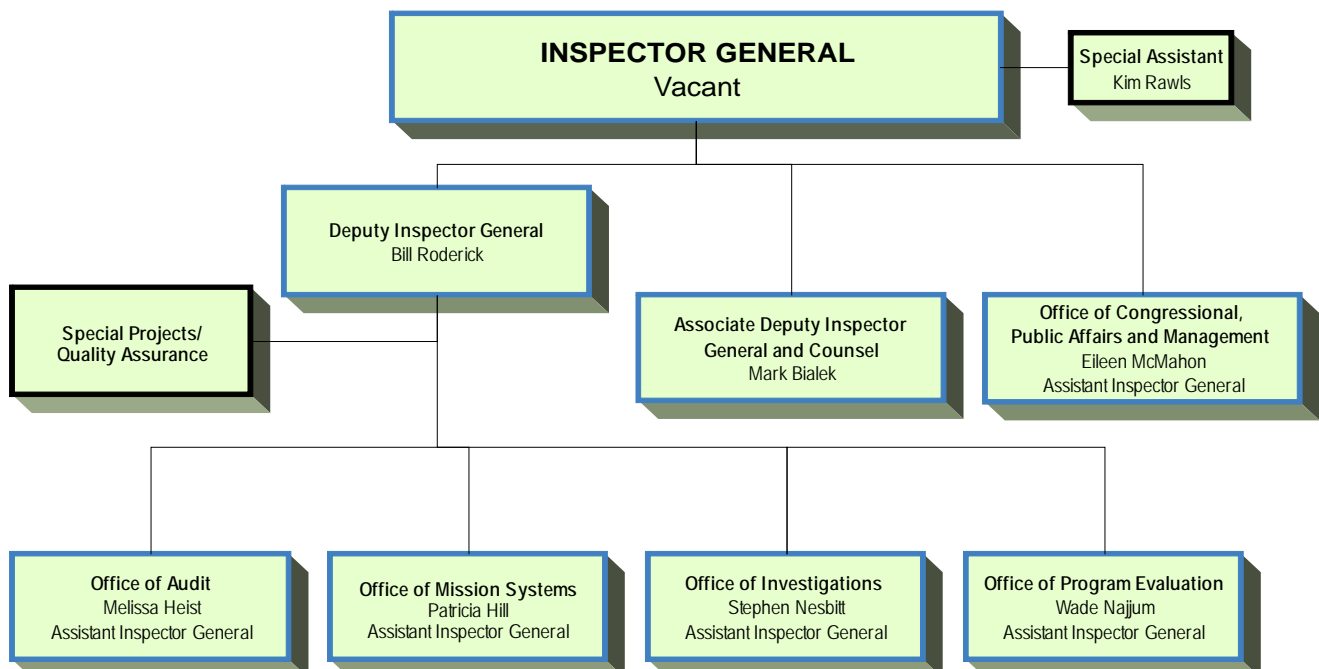
Mission of the EPA OIG

Add value by promoting economy, efficiency, and effectiveness within EPA and the delivery of environmental programs. Inspire public confidence by preventing and detecting fraud, waste, and abuse in Agency operations and protecting the integrity of EPA programs.

OIG Organization

To fulfill our vision and accomplish our mission, we perform audits, evaluations, and investigations of EPA, as well as its grantees and contractors. We also provide testimony and briefings to Congress. We recommend *solutions* to the problems we identify that ultimately result in providing Americans a cleaner and healthier environment. We are organized as follows.

Organization Chart
EPA Office of Inspector General



We currently have two Senior Executive Service vacancies. OIG staff are physically located at Headquarters in Washington, DC; at the regional headquarters offices for all 10 EPA regions; and other EPA locations, including Research Triangle Park, North Carolina, and Cincinnati, Ohio. Details on the specific role each OIG office plays in helping the OIG accomplish its mission follow.

Immediate Office: This office includes the position of the Inspector General, which is currently vacant, and the Deputy Inspector General, who is serving as the Acting Inspector General. In addition to providing overall leadership and direction, this office includes a Quality Assurance Program team that conducts reviews of all draft and final reports to ensure conformance with standards. The office also manages the OIG's Continuity of Operations Plan.

Office of Audit: This office performs audits to improve the economy, efficiency, and effectiveness of Agency programs and prevent fraud, waste, and mismanagement. The office performs financial audits of assistance agreements and contracts as well as Agency-wide reviews of programs. Product divisions include:

- **Assistance Agreements and Contracts:** Improving EPA's use of grants and contracts.
- **Forensic Audits:** Identifying fraud, waste, and abuse in grants and contracts.
- **Financial Audits:** Improving the Agency's financial management.
- **Risk Assessment and Program Performance:** Improving EPA internal control processes, structure, and workforce/manpower.

Later in FY 2009, the Office of Audit plans to add an efficiency audit group in response to the Administration's emphasis on efficiency and economy.

Office of Congressional, Public Affairs and Management: This office performs communications and resource management functions. This includes providing communications and liaison services to Congress, the public, and the media; operating the OIG Hotline; editing, issuing, and distributing OIG reports; and managing information posted on the OIG Website. The office also manages the OIG's budget process and coordinates OIG planning, policies and procedures, audit follow-up, performance measurement and reporting, contracting, and OIG internal control assessment. Further, the office is responsible for all aspects of human capital programs and functions and human resources personnel operations and recruitment.

Office of Counsel: This office provides independent legal and policy advice to all components of the OIG, and represents the OIG in administrative litigation. The office manages the OIG ethics program, providing ethics training, advice, and financial disclosure reviews; and coordinates OIG responses to Freedom of Information Act and other document requests. The office, which employs Special Agents in addition to

attorneys, also performs Oversight and Special Reviews. These include criminal and other investigations of misconduct by EPA employees. Further, the office performs legal reviews in response to requests by members of Congress and the Agency.

Office of Investigations: This office employs Special Agents, as well as computer specialists, to perform criminal investigations. The majority of the investigative work is reactive in nature, responding to specific allegations of criminal activity and serious misconduct. The office focuses its investigative efforts on financial fraud (contracts and assistance agreements), computer crimes, infrastructure/terrorist threat, program integrity, and theft of intellectual or sensitive data. Specifically, investigations focus on:

- Criminal activities in the awarding, performing, and paying of funds under EPA contracts, grants, and other assistance agreements to individuals, companies, and organizations.
- Criminal activity or serious misconduct affecting EPA programs that could undermine or erode the public trust.
- Contract laboratory fraud relating to water quality and Superfund data, and payments made by EPA for erroneous environmental testing data and results that could undermine the bases for EPA decision-making, regulatory compliance, and enforcement actions.
- Intrusions into and attacks against EPA's network, as well as incidents of computer misuse and theft of intellectual property or other sensitive data and release of or unauthorized access to sensitive or proprietary information.

Office of Mission Systems: This office performs audits of and issues reports on EPA's information resources management, to ensure the Agency is adequately maintaining its systems and data. Audits consider how well EPA collects data, manages its investment in information technology, and manages information security and privacy. The office also provides information technology support to the rest of the OIG, manages the technical aspects of the OIG Website, and provides data mining and analysis support to auditors and evaluators throughout the OIG.

Office of Program Evaluation: This office performs program evaluations that assess and answer specific questions about how well a program is working. The office can assess strategic planning and process implementation to determine whether a program is designed and operating as intended, as well as the extent to which a program is achieving its objectives and having an impact. Evaluations examine root causes, effects, and opportunities leading to conclusions and recommendations that influence systemic changes and promote improved delivery of the Agency's mission. Evaluations may also be designed to increase the understanding of a program. Product areas include:

- **Air:** Helping to make air safe and healthy to breathe.
- **Water:** Helping to ensure that drinking water is safe and waterbodies are protected.

- **Superfund/Land:** Improving waste management and clean-up.
- **Enforcement:** Helping to improve compliance with environmental requirements.
- **Research and Development:** Helping EPA improve its research and development efforts and ensure sound science.
- **Cross-Media:** Evaluating non-traditional approaches to protecting the environment and challenges that cut across programs.
- **Special Reviews:** Reviewing issues of fraud, waste, and misuse in EPA programs.

As part of its efforts, this office looks at issues involving homeland security.

OIG Budget

Congress Provides Additional Funding for the OIG

The Omnibus Appropriations Act of 2009 provided the EPA OIG with an FY 2009 budget funding level of \$54,766,000, which was \$2,181,000 above the FY 2008 enacted level. In accordance with a congressional directive, the OIG is continuing a hiring initiative to increase its staffing level to that of prior years, consistent with the available funds. To address the staffing gap and accelerate recruiting and selecting highly qualified staff members, the OIG has engaged the Office of Personnel Management as its primary source for its staffing processing functions. Additionally, the OIG is seeking Delegated Examining Unit authority to make direct hiring decisions, and will use contractor services to further expedite staff recruitment and processing actions.

Below is a summary of the OIG resource levels/expenditures for FYs 2000 through 2009.

Historical Budget and Manpower Summary			
Fiscal Year	Enacted Budget (after rescissions where applicable)	On-Board Staff (as of October 1)	Expenditures (includes carryover)
2000	\$43,379,700	340	\$39,384,100
2001	\$45,493,700	351	\$41,050,807
2002	\$45,886,000	354	\$45,238,608
2003	\$48,425,200	348	\$46,023,048
2004	\$50,422,800	363	\$52,212,862
2005	\$50,542,400	365	\$61,733,781
2006	\$50,241,000	350	\$49,583,584
2007	\$50,459,000	326	\$48,658,217
2008	\$52,585,000	290	\$52,231,690
2009	\$54,766,000	304	TBD

Sources: OIG archives and analysis and EPA Integrated Financial Management System

In addition to the budget amounts above, the American Recovery and Reinvestment Act of 2009 provided the EPA OIG \$20 million through September 30, 2012, for oversight and review of the \$7.2 billion received by EPA (see page 10).

OIG Strategic and Annual Plans

The OIG Strategic Plan for FYs 2004-2008 outlines the OIG's 5-year plan for carrying out its vision by applying and linking the unique role and authority of the OIG, as prescribed by the Inspector General Act, to the mission and goals of EPA. It builds upon organizational experience and is designed to be an enduring guide for future direction. As such, the Strategic Plan has been renewed for FY 2009 through implementing the OIG's FY 2009 Annual Plan. Implementing the OIG strategy considers questions of current and emerging concerns, shaped by existing conditions and future trends or external challenges. The OIG strategy at the macro level, designed by specific assignments and objectives at the annual planning level, is designed to improve OIG operational processes and application of resources for greater efficiency and accountability. Together, these plans have the flexibility to adapt and anticipate changing conditions as needed. The plans promote dynamic thinking about how the OIG can best contribute to attaining EPA's mission and goals.

The Strategic Plan identifies three goals, which are further defined by objectives with specific measures and targets. These goals are:

1. Contribute to improved human health and the environment.
2. Contribute to improved Agency business practices and accountability.
3. Continuously improve OIG products and services.

The Strategic Plan is available at <http://www.epa.gov/oig/reports/2004/20040201-EPA-350-R-001.pdf>. The FY 2009 Annual Plan is available at <http://www.epa.gov/oig/reports/2008/EPA%20OIG%20FY2009%20Annual%20Plan.pdf>. Our Strategic Plan will be revised once a new Inspector General is appointed.

OIG Follow-up

The OIG has been implementing a strong follow-up strategy for increasing both the OIG's and Agency's attention to the process for resolving (reaching agreement on actions to be taken) and completing agreed-to actions on OIG recommendations. Follow-up, which is a shared responsibility between the Agency and the OIG, is a process by which the Office of the Chief Financial Officer monitors and reports on Agency implementation of audit recommendations, and OIG auditors determine the adequacy, effectiveness, and timeliness of actions taken by management on all reported audit findings. To comply with Inspector General Act reporting requirements and help EPA managers gain greater awareness of outstanding commitments for action, we are now issuing semiannually a

“Compendium of Unimplemented Recommendations.” The Compendium is produced as an appendix to each Semiannual Report to Congress and as well as a stand-alone report issued to Agency management. The identification of unimplemented recommendations through the Compendium has appeared to result in a significant increase in corrective actions being taken by the Agency. Additionally, at the OIG’s behest, the Agency Annual Integrity Review Policy and Process now requires an examination of all outstanding audit recommendations. The OIG is also examining its own process for closing out recommendations leading to successful resolution, and has enhanced its management information system to provide accountability for each recommendation within the OIG and through its connection to the Agency’s follow-up tracking system.

OIG Quality Assurance Program

The OIG operates a rigorous Quality Assurance Program to provide objective, timely, and comprehensive reviews to ensure that OIG work complies with pertinent laws, professional standards, regulations, and policies and procedures, and is carried out efficiently and effectively. OIG offices, activities, processes, and products are subject to review. Our OIG Quality Assurance Program team conducts independent referencing reviews of all draft/final audit and evaluation reports and ensures conformance with the standards of the Comptroller General and Council of Inspectors General on Integrity and Efficiency. Our Quality Assurance Program involves:

- Report quality assurance.
- Quality assurance reviews of audit, evaluation, and investigative activities.
- Annual self-assessments of each OIG office.
- Administrative program reviews.
- Independent internal quality review of OIG performance by an outside firm.
- External peer reviews conducted by other OIGs.
- Use of a quality assurance checklist.

Management Challenges for the Agency

We have provided EPA with a list of key management challenges for FY 2009. The OIG defines management challenges as a lack of capability derived from internal self-imposed constraints or, more likely, externally imposed constraints that prevent EPA from reacting effectively to a changing environment. The FY 2009 challenges, as listed below, are based primarily on our macro-risk assessment, audit, evaluation, and investigative work. The list includes two new challenges (“Management of Stimulus Funds” and “Safe Reuse of Contaminated Sites”) along with eight challenges that were included for FY 2008.

- **Management of Stimulus Funds:** The American Recovery and Reinvestment Act of 2009 will provide EPA with \$7.2 billion over the next few years. The

Agency will face significant challenges in meeting Recovery Act requirements while carrying out its ongoing programs. Monitoring recipients' activities while commencing expenditures and activities as quickly as possible will present further challenges. The grants EPA awards with Recovery Act funding will contain new conditions that require additional monitoring and oversight. EPA will need to rely heavily on State agencies, as the primary funding recipients, to properly monitor sub-recipients' use of funds. Superfund work will generally be awarded with contracts, and with the emphasis on awarding funds and starting work quickly, EPA needs to make sure contractors are ready and able to accept the additional work.

- **EPA's Organization and Infrastructure:** EPA has about 140 offices and laboratories. Due to diminishing resources, the autonomous nature of regional and local offices, and the growing pressure to expand its role globally, EPA will be challenged to assess the efficiency and effectiveness of its current structure.
- **Performance Measurement:** EPA must focus on the logic and design of its measures for success and efficiency, along with data standards and consistent definitions, to ensure that adequate information is obtained and used to evaluate and manage EPA programs, operations, processes, and results.
- **Threat and Risk Assessments:** EPA does not comprehensively assess threats to human health and the environment across the environmental media for which EPA is responsible (air, water, etc.) to ensure actions are planned, coordinated, and budgeted most efficiently and effectively. This fragmentary approach continues because environmental laws often focus on single media or threats.
- **Water and Wastewater Infrastructure:** Drinking water and wastewater treatment systems are reaching the end of their life cycle, and huge investments will be needed to replace, repair, and construct facilities.
- **Meeting Homeland Security Requirements:** EPA needs to implement a strategy to effectively coordinate and address threats, including developing a scenario to identify resource needs, internal and external coordination points, and responsible and accountable entities.
- **Oversight of Delegations to States:** Many States and tribes are responsible for implementing EPA's programs, enforcing laws and regulations, and reporting on program performance, with EPA retaining oversight responsibility. Inconsistent capacity and interpretation among State and tribal entities limit accountability and compliance.

- **Chesapeake Bay Program:** After more than 20 years of effort by federal, State, and local governments, Bay waters remain degraded; required nutrient and sediment reductions will not be met by the 2010 target. EPA needs to institute management controls ensuring that actions to manage land development, agricultural runoff, nutrient reduction technology, and air emissions are implemented, and that consistent sources of funding are identified by EPA partners.
- **Voluntary Programs:** EPA must ensure that voluntary approaches and innovative or alternative practices are managed using standards, consistent processes, and verifiable data. This is needed to ensure that programs are efficiently and effectively providing intended and claimed environmental benefits.
- **Safe Reuse of Contaminated Sites:** In the last decade, EPA has placed increasing emphasis on reusing contaminated or once-contaminated properties. However, EPA's managing of long-term oversight and monitoring for the safe use of these sites has lagged, and this gap promises to increase substantially as EPA continues to heavily promote reusing these sites without the investment needed to ensure safety.

OIG Recovery Act Efforts

The American Recovery and Reinvestment Act of 2009, signed by President Obama on February 17, 2009, provides the EPA OIG \$20 million for oversight activities through September 30, 2012. The OIG will conduct audits, investigations, and other reviews to ensure economy and efficiency and to prevent and detect fraud, waste, and abuse in how EPA uses the \$7.2 billion it will receive under the Act. Reports on our findings will be posted on our Website as published. The OIG will also work with the Agency to provide information and guidance for ensuring that there are appropriate controls in place and that decisions, actions, and accountable results are transparent. The OIG will review, as appropriate, concerns raised by the public about specific investments using funds made available by the Act. Individuals may report any suspicion of fraud, waste, or abuse of EPA stimulus funds via the OIG Hotline. Any findings of such reviews not related to ongoing criminal proceedings will also be posted on our Website.

In addition to looking at how EPA spends its Recovery Act funding and the results achieved with that funding, we will continue our regular work to raise Agency, customer, grantee, and contractor awareness regarding fraud, waste, and abuse in *all areas*. This will include implementation of the federal Contractor Business Ethics Compliance Program and Disclosure Rule, which took effect in December 2008. The rule requires all federal contractors to self-disclose to the OIG all credible evidence of violations of federal criminal and civil law involving fraud, conflict of interest, bribery, gratuities, and significant overpayments.

OIG Adopts Initial Plan to Monitor EPA Recovery Act Funds

The primary objectives of our Recovery Act efforts will include determining whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under this Act avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

As EPA prepares to award Recovery Act funds, the OIG is taking a number of actions to alert Agency managers of risks and recommend cost-effective controls to help prevent fraud, waste, and abuse; and ensure program goals are achieved and stimulus funds are accurately tracked and reported. As our auditors and evaluators identify risks, they will

give Agency managers flash reports containing recommendations on ways to mitigate these risks. Our investigators are developing an outreach strategy to educate EPA employees, contractors, grant recipients, the law enforcement community, and the general public on grant and contract fraud schemes and how to report suspected fraud. Our work is being closely coordinated with the Recovery Accountability and Transparency Board, as well as other audit and law enforcement organizations at the federal, State, and local levels.

After EPA awards the Recovery Act funds, the OIG will focus on auditing and investigating EPA's management of the Recovery Act programs, how the funds are being used, and the accuracy of the information being reported. With the \$20 million received, the OIG is increasing its staffing, including its forensic audits staff, to review how funds are being used.

Performance audits will evaluate the process for awarding funds, particularly competitive awards, and whether the funds are being awarded timely, efficiently, and in accordance with the Act's requirements. We will also evaluate how the Agency is monitoring the use of funds and measuring performance. In addition, we will conduct interim and final financial audits of Recovery Act fund recipients; review Single Audit Act reports involving Recovery Act funds; and, as part of our annual audit of EPA's overall consolidated financial statements, examine the use of Recovery Act funds.

Our Special Agents will investigate allegations raised by the public and others of fraud, waste, and abuse committed against EPA involving Recovery Act funds. Special Agents will identify fraud indicators and program weaknesses, and gather information on potential instances of fraud. Also, Special Agents will communicate with State recipients regarding funds they distribute.

Our full initial plan can be found at http://www.epa.gov/oig/reports/2009/InitialEPAOIG_StimulusPlan03-05-09.pdf.

OIG Provides Input on Overall Federal Recovery Act Guidance

The EPA OIG has reviewed the Office of Management and Budget (OMB) Updated Implementing Guidance for the Recovery Act. We provided several comments to OMB for consideration.

We found that, overall, the guidance is prescriptive for agencies to make funding available in a transparent, need-driven way on an agency-by-agency basis. However, there does not appear to be a process described for cross-agency coordination of grantee and other fund recipient review to ensure that recipients are not obtaining funds from

multiple sources for the same project. We also believe cross-agency checks should be required, beyond the current process, to ensure that a grantee, contractor, or recipient has not been debarred, suspended, or otherwise disqualified from receiving federal funds, and does not have outstanding federal obligations. Further, because States will be primary recipients of Recovery Act funds, we think it needs to be made clearer what obligations State auditors have to review and report on the propriety of, accounting for, and use of the Recovery Act funds, as well as the recipient's accuracy in the reporting of results.

In addition, we made comments on specific sections of the guidance. These involved such issues as seeking more information on subprime contractors, identifying expected savings, assessing risk associated with any decision for providing funds to each grantee, and having a third party arbitrating disputes between the agency contract officer and the auditor.

Our complete comments on the OMB Guidance are in Report No. 09-P-0132, *EPA Office of Inspector General Recommendations on Office of Management and Budget Guidance for Recovery Act Implementation*, issued March 31, 2009. The report can be accessed at <http://www.epa.gov/oig/reports/2009/20090331-09-P-0132.pdf>.

Significant OIG Activity

Air

Helping to make air safe and healthy to breathe.

EPA Needs to Improve Its Efforts to Reduce Air Emissions at U.S. Ports

EPA's strategy to address air emissions from large oceangoing vessels in U.S. ports is not sufficiently developed.

The United States has about 360 commercial sea and river ports. Air emissions from activities at these ports have significant environmental and human health impacts. By 2020, many major U.S. ports are expected to double the amount of container traffic they handle; some will triple.

For over 14 years, EPA has acknowledged that human health has been significantly harmed by emissions from large oceangoing vessels. Thus far, EPA has only regulated nitrogen oxide emissions from U.S.-flagged vessels. The Agency has chosen to defer taking a position on whether it has authority to regulate emissions from foreign-flagged vessels, although these vessels account for about 90 percent of all U.S. port calls. In October 2008, much of a U.S. proposal for more stringent air emission standards for oceangoing vessels was incorporated into an international agreement. Still, if significant



A container ship at berth. (EPA OIG photo)

emissions reductions are to be realized under this agreement, EPA must establish emission control areas for oceangoing vessels entering U.S. ports.

Although EPA is working through various regulatory and voluntary programs to reduce air emissions from port sources, including sources other than oceangoing vessels, it lacks a transformation plan to assure that its goals are realized. In 2008, EPA built upon its efforts by publishing a Strategy for Sustainable Ports.

However, EPA did not include the appropriate performance measures, milestones, and other management controls for many of the action items in this strategy. As a result, EPA lacks the management framework and controls necessary to assure the successful implementation of its strategy.

We recommended that EPA (1) assess its authorities and responsibilities under the Clean Air Act to regulate air emissions from foreign-flagged vessels in U.S. ports, and report

any shortfalls to Congress; (2) assess the extent to which emissions control areas should be designated for U.S. coastal areas; and (3) revise its ports strategy to include a transformation plan. The Agency's comments on the first recommendation were not responsive; it concurred with the second recommendation and did not agree with the third. On March 30, 2009, subsequent to our report issuance, the Administrator held a press conference to announce that the United States had submitted a proposal to the International Maritime Organization for an emission control area around the United States' coastline.

(Report No. 09-P-0125, EPA Needs to Improve Its Efforts to Reduce Air Emissions at U.S. Ports, March 23, 2009 – Report Cost: \$1,680,991)

Risk Management Program for Airborne Chemical Releases Can Be Improved

EPA can improve management and oversight to better assure that facilities covered by the Clean Air Act's Risk Management Program submit a Risk Management Plan and comply with Program requirements.

The purpose of the Risk Management Program is to reduce the likelihood of airborne chemical releases that could harm the public, and mitigate the consequences of releases that do occur. Stationary sources that have more than the threshold quantity of regulated substances onsite in any one process must implement a risk management program and have a Risk Management Plan.

EPA had not established national procedures for identifying covered facilities that had not submitted Risk Management Plans. For the 5 States reviewed, we identified 48 facilities in 3 States that reported large amounts of covered chemicals stored onsite that had not filed plans. Further, the status of nearly one-third (452 of 1,516) of the facilities EPA identified in 2005 as being past their due date for re-submitting a plan had not been resolved and updated in the Program's National Database as of March 2008. Also, State permitting agencies did not properly include Program requirements as a condition of facilities' Title V operating permits.



Damage from an explosion and fire at a manufacturing facility in 2004. Vinyl chloride monomer, a regulated substance under the Risk Management Program, fueled the explosion and fire, which caused evacuation of the nearby community. (Photo courtesy U.S. Chemical Safety and Hazard Investigation Board)

EPA can also strengthen its inspection process to provide greater assurance that facilities comply with Program requirements. EPA had not inspected or audited over half (296 of 493) of

the high-risk facilities identified by EPA's Office of Emergency Management. Of the 296 uninspected facilities, 151 could each impact 100,000 people or more in a worst-case accident. Accident data suggest that uninspected high-risk facilities are more than five times as likely to have an accident as uninspected lower-risk facilities.

We recommended that EPA implement additional management controls to identify facilities with regulated chemicals that have not filed Risk Management Plans. We also recommended that EPA develop a risk-based inspection strategy to target higher-priority facilities for inspection and track progress in completing inspections. The Agency concurred with all of our recommendations.

(Report No. 09-P-0092, EPA Can Improve Implementation of the Risk Management Program for Airborne Chemical Releases, February 10, 2009 – Report Cost: \$517,983)

Specific Issues with Risk Management Program for Airborne Chemical Releases Noted in Region 8

During our Agency-wide review of the Clean Air Act's Risk Management Program (see above), we identified specific concerns with Region 8's program.

The two Region 8 offices jointly responsible for implementing the program – the Office of Ecosystems Protection and Remediation and the Office of Enforcement, Compliance, and Environmental Justice – have not effectively planned or coordinated compliance assurance activities. Further, regional operating guidance is inconsistent concerning the roles and responsibilities of each office.

Over half the high-risk facilities in the Region have never been audited or inspected. Of the 61 high-risk facilities identified, 38 (62 percent) had never been inspected or audited since the Program's inception in 1999. Meanwhile, 59 lower-risk facilities were both audited and inspected.

Region 8 agreed with our recommendations to develop a strategy and oversight process for the Program, and has already completed the recommended actions.

(Report No. 09-P-0130, EPA Region 8 Needs to Better Manage the Risk Management Program for Airborne Chemical Releases, March 30, 2009 – Report Cost: \$157,141)

For details on additional air issues, please refer to:

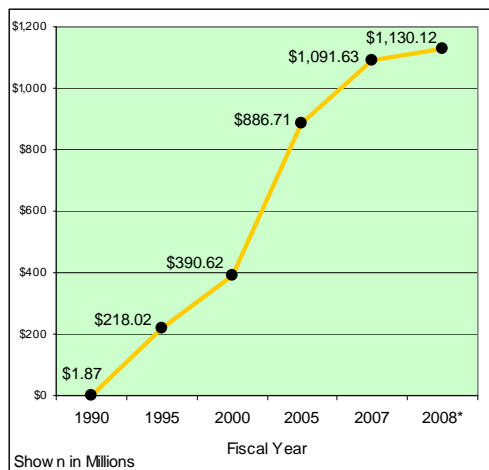
- **Page 20, "EPA Needs a Comprehensive Plan on Climate Change."**
- **Page 37, "Metal Processing Company Sentenced for Making a False Statement."**
- **Page 40, "Actions to Deny California Emissions Waiver Did Not Deviate from Protocol."**

Superfund/Land

Improving waste management and clean-up.

Superfund Special Accounts Need Improved Management

EPA had not used about \$65 million in Superfund special accounts that were available because it lacked some management controls. Additionally, EPA was holding more than \$88.4 million in special account funds in reserve that could potentially be put to better use.



Total Available Dollars in Superfund Special Accounts as of May 31, 2008
Source: OIG analysis of EPA data.

EPA is authorized to retain and use funds received in settlements to address Superfund response actions contemplated in settlement agreements. EPA retains these funds in site-specific “special accounts.” As of May 2008, EPA had over \$1.1 billion in 819 Superfund special accounts.

EPA’s fragmented and uncoordinated approaches to account for special account funds led to missed opportunities to fund needed Superfund clean-ups. Visibility was lacking over the amount and use of special account funds. In three previous reports, we had recommended that about \$59 million of the \$65 million of idle special account funds be reclassified or transferred to the Hazardous Substance Superfund Trust Fund. In this report, we recommended that the remaining approximately \$6.6 million be reclassified or transferred to

the Trust Fund. While EPA has addressed various aspects of managing special accounts, it needs to make some additional improvements. Also, EPA was holding more than \$88.4 million in reserve that could be used to support priority Superfund sites, including sites where human exposure was not under control.

We recommended that EPA implement needed management controls. EPA needs to provide a central management official for special account funds, use available account data, and implement new policies and public reporting requirements. Also, EPA should reclassify or transfer the remaining \$6.6 million in idle special account funds, and reevaluate the need for holding the \$88.4 million in reserve. EPA generally concurred with our recommendations, although some actions proposed by the Agency do not meet the intent of what we recommended.

(Report No. 09-P-0119, Improved Management of Superfund Special Accounts Will Make More Funds Available for Clean-ups, March 18, 2009 – Report Cost, including three previously issued reports: \$947,442)

Safety Determination for Delatte Metals Superfund Site Unsupported

EPA's protection determination for the Delatte Metals Superfund Site, Ponchatoula, Louisiana, was not supported by its data.

Soil and water at Delatte were contaminated with metals from battery recycling and smelting operations. EPA deleted Delatte from the National Priorities List in 2005, signifying clean-up goals were achieved through remedial action.

Despite evidence of potential remedy failure, EPA Region 6 determined during its Five-Year Review at the site in November 2007 that conditions protect human health and the environment in the short-term. However, our review showed that the permeable reactive barrier was not treating all of the shallow contaminated groundwater before it



New housing development built adjacent to the Delatte Site. (EPA OIG photo)

discharges to surface water and migration of metal contaminants was uncontrolled. Also, metal concentrations in surface water greatly exceeded site clean-up standards, site access was uncontrolled, sufficient testing of the groundwater and surface water was not performed, and the required inspection of the permeable reactive barrier was not performed. EPA research scientists also raised concerns about the effectiveness of the permeable reactive barrier and recommended that Region 6 conduct additional testing.

The data available to Region 6 when it conducted its Five-Year Review, combined with our results, show that the site's safety cannot be determined until the effectiveness of the permeable reactive barrier and the risk posed by the migration of metals are assessed.

EPA Region 6 proposed actions to ensure that the Delatte clean-up remedy is performing as intended. These actions are under review. However, EPA Region 6 did not agree to amend the determination it made in 2007 to state that more information is needed to make a safety determination for the site.

(Report No. 09-P-0029, EPA's Safety Determination for Delatte Metals Superfund Site Was Unsupported, November 19, 2008 – Report Cost: \$398,750)

Sampling at Indiana Superfund Site Was Consistent with EPA's Historical Results

Groundwater sampling at the Neal's Dump Superfund Site in Indiana showed that polychlorinated biphenyls (PCBs) did not exceed safe levels for drinking water.

The OIG is testing long-term monitoring results at selected Superfund sites that EPA deleted from the National Priorities List. Neal's Dump, near Spencer, Indiana, was one of the sites we sampled. The site had been contaminated with PCBs from disposal of electrical equipment and other PCB-contaminated materials. EPA deleted the site from the National Priorities List in 1999, which signified clean-up goals had been achieved. Groundwater samples that we independently took in May 2008 from two private drinking water wells on residential properties adjacent to the site showed that PCBs did not exceed safe levels for drinking water. These results are consistent with EPA's monitoring results.

(Report No. 09-P-0110, Results of Independent Groundwater Sampling at Neal's Dump Superfund Site, March 4, 2009 – Report Cost, including contractor costs: \$99,200)

EPA Inappropriately Charged Oversight Costs at California Superfund Site

EPA Region 9 inappropriately charged oversight costs to responsible parties for the CTS Printex Site for greening and other activities.

The OIG received a Hotline complaint that alleged mismanagement and abuse of authority regarding Region 9 management of the CTS Printex Superfund Site in Mountain View, California. The allegations we reviewed involved inappropriate oversight costs and the site boundary definition.



New housing development built on the former CTS Printex Superfund Site. (EPA OIG photo)

We concluded that Region 9 inappropriately charged the responsible parties for costs associated with staff time spent reviewing a housing developer's use of "green building practices." Region 9 also charged the site account for its time spent responding to and preparing for our review. These activities are outside the intended scope of the cost recovery agreement between Region 9 and the responsible parties. Also, Region 9 has not taken appropriate steps to timely amend the 1991 Record of Decision, even though new human health risks have been identified (vapor intrusion).

During our review, we could not substantiate claims that Region 9 expanded the definition of the CTS Printex Site beyond that described in EPA's 1991 Record of Decision, or that other clean-up agreements were reached or implemented.

Region 9 agreed with our recommendations to amend the 1991 Record of Decision and withdraw inappropriate oversight charges. The Region has adjusted its charges to the responsible parties and so far removed \$6,084 from oversight bills. Corrective actions to address future cost recovery issues and review other oversight charges are undecided and should be addressed in its final response to this report.

(Report No. 09-P-0131, Results of Hotline Complaint Review for California Superfund Site, March 31, 2009 – Report Cost: \$128,038)

For details on additional Superfund/land issues, please refer to:

- **Page 34, "Better Procedures Needed to Manage Tracking System Development."**
- **Page 36, "Sentence Imposed in Bid-Rigging Case."**
- **Page 36, "New York Businessmen Sentenced in Hazardous Waste Case."**

Cross-Media

Evaluating non-traditional approaches to protecting the environment and challenges that cut across programs.

EPA Needs a Comprehensive Plan on Climate Change

EPA does not have an overall plan to ensure developing consistent, compatible climate change strategies across the Agency.

EPA is 1 of 13 federal agencies that make up the U.S. Climate Change Science Program, which guides federal research through its strategic plan. Part of EPA's role is understanding the regional consequences of global climate change.

We surveyed EPA regions and offices and found they need more information on a variety of climate change topics. They reported the need for technical climate change research and tools as well as other climate change policy guidance and direction. In the absence of an overall Agency plan, EPA's Office of Water and several regional offices have independently developed, or are developing, their own climate change strategies and



A hurricane striking a sea wall.
(Photo courtesy National Oceanic and Atmospheric Administration)

plans. The lack of an overall climate change policy can result in duplication, inconsistent approaches, and wasted resources among EPA's regions and offices. EPA has not issued interim guidance to give its major components consistent direction to ensure that a compatible national policy – when it emerges – will not result in wasted efforts.

EPA's latest plan for future climate change research does not address the full range of emerging information needs. The projected time of completion or the scope of some research projects do not match the timing or the scope of regions' needs. EPA's Office of Research and Development does not have a central repository of its climate change research for its internal users, nor does it effectively communicate the results of its climate change research to EPA's internal users.

We recommended that the EPA Deputy Administrator direct Assistant and Regional Administrators on how to plan for climate change challenges in their media areas/regions until the Agency develops an overall strategy, and establish guidance for regularly entering climate change scientific information in the Science Inventory. We also made recommendations regarding establishing various management controls. The Agency concurred with our recommendations.

(Report No. 09-P-0089, EPA Needs a Comprehensive Research Plan and Policies to Fulfill its Emerging Climate Change Role, February 2, 2009 – Report Cost: \$636,217)

Improvements Needed in Reporting ENERGY STAR Benefits

We found the ENERGY STAR program's reported savings claims were inaccurate and the reported annual savings unreliable.

ENERGY STAR is a voluntary program designed to help businesses and individuals enhance their energy efficiency. In 2006, ENERGY STAR reported avoiding a total of 37.6 million metric tons of carbon equivalent, preventing greenhouse gas emissions equivalent to those from 25 million vehicles, and saving Americans \$14 billion on their energy bills.

We identified several deficiencies with shipment data and the process used in calculating benefits, including the lack of a quality review of the data collected; reliance on



Promoting the use of energy efficient products is an important component of ENERGY STAR. (From EPA)

estimates, forecasting, and unverified third party reporting; and the potential inclusion of exported items. Also, EPA included savings for one Department of Energy product that the Department of Energy also claimed. We noted sales of formerly qualified products have been used to determine ENERGY STAR's market transformation benefits, but we found that this benefit was computed inconsistently. Also, the methodology used to compute the ENERGY STAR commercial sector benefits uses unverified assumptions.

We recommended that EPA implement improved quality controls and a better methodology to compute market transformation effects, and validate its model for calculating commercial sector benefits. EPA disagreed with many of our conclusions, but stated it had implemented some of the recommendations. At the time of our report issuance, some of EPA's planned actions did not meet the intent of our recommendations, and we considered the recommendations open and unresolved. Subsequently, EPA provided a proposed corrective action plan that meets the intent of the recommendations.

(Report No. 09-P-0061, Improvements Needed to Validate Reported ENERGY STAR Benefits, December 17, 2008 – Report Cost: \$538,867)

Public Liaison and Special Reviews

Addressing specific concerns of the public.

EPA Needs to Further Improve Responses to Freedom of Information Act Requests

While EPA has reduced its backlog of Freedom of Information Act (FOIA) initial requests and appeals, its procedures did not always ensure timeliness, and optional training was only attended by some employees.

We examined whether EPA's FOIA processing and reporting procedures meet current FOIA requirements and if any improvements can be made. We found that EPA, as a whole, is not giving timely responses to FOIA requests or appeals. Also, we found that some of the annual personnel and cost statistics gathered and provided to the National FOIA Officer for the annual report to the Department of Justice were not accurate. Lack of complete and correct cost information means that EPA may not know how much it is spending on FOIA-related costs. EPA also may not be meeting specific statutory requirements.

We recommended that EPA issue a policy mandating training for those employees with FOIA responsibilities. Supplementing the policy should be written standard operating procedures for regional and program offices that issue FOIA responses. EPA should also review FOIA offices to make recommendations for improvement. EPA concurred with our recommendations.

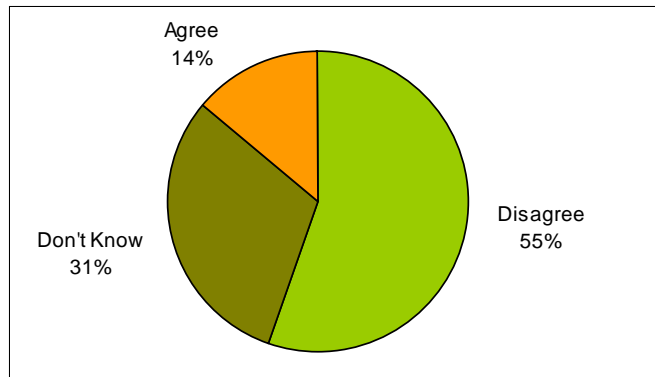
(Report No. 09-P-0127, EPA Has Improved Its Response to Freedom of Information Act Requests But Further Improvement Is Needed, March 25, 2009 – Report Cost: \$505,369)

Interim Report Disclosed Results of OIG Access Survey

The results of an OIG survey disclosed significant lack of knowledge about the Agency's policies with regard to interaction with the OIG, and numerous requests for training in this area by survey respondents.

We sponsored an Agency-wide survey to assess EPA employees' perceptions of their relationships with OIG staff with regard to access to personnel and information. Our analysis showed that 83 percent of respondents were either not aware, or did not know, of any policy or procedures governing interaction with the OIG. Further, 52 percent of respondents did not believe or did not know whether they can provide documentation or written responses to the OIG without permission from a supervisor.

There were also some troubling perceptions among Agency staff about management’s attitudes toward staff who talked to OIG staff without permission – 45 percent of



respondents either agreed or did not know whether they can face retribution if they provided information or documentation in response to an OIG request without the approval from their program manager or supervisor.

This report is an interim one for information purposes only; the OIG has not completed its analysis of the results or drawn any final conclusions, and we made no recommendations in this report.

Forty-five percent of respondents either agreed or did not know whether they may face retribution for providing information to an OIG request. (Source: OIG survey)

(Report No. 09-P-0079, Interim Report: Office of Inspector General Access Survey Results, January 13, 2009 – Report cost part of overall report to follow)

For details on an additional public liaison and special reviews issue, please refer to page 18, “EPA Inappropriately Charged Oversight Costs at California Superfund Site.”

Grants

Improving EPA's use of assistance agreements.

EPA Took Adequate Corrective Actions for Alaska Village Safe Water Program

In a follow-up review, we determined that EPA Region 10 had implemented the corrective actions it agreed to take in response to two single audit reports and an Office of Management and Budget review.

In 2006, the OIG issued two single audit reports, for FYs 2003 and 2004, to EPA Region 10 regarding the Alaska Village Safe Water Program. The reports supported the single audit findings and recommended various corrective actions. The most recent OMB Program Assessment Rating Tool review noted various program deficiencies.



Sewage pipe system in an Alaska village. (EPA photo)

We found that Region 10 had adequately followed up on each of the findings and recommendations from the single audit reports, and had implemented corrective actions for the OMB review. The corrective actions taken by the Region should address the issues identified.

One corrective action is not complete. To address concerns with Alaska's monitoring of subrecipients, the State performed an independent review of reconciling project costs by the Alaska Native Tribal Health Consortium. As part of its corrective action plan, the Region agreed to follow up on the findings from the independent review. However, the review was delayed and is now expected to be completed by October 1, 2009.

(Report No. 09-P-0085, EPA Region 10 Took Adequate Corrective Actions for Alaska Village Safe Water Program, January 21, 2009 – Report Cost: \$114,006)

Review of Grant Finds Procurement, Financial Management, and Lobbying Issues

ML Wastewater Management, Inc., of Onamia, Minnesota, claimed \$6,962,830 in unallowable costs, did not report lobbying activities, and may not be complying with a wetlands permit.

In 2001, EPA awarded a grant to ML Wastewater Management to construct a wastewater treatment plant. The grant was amended four times, with EPA's financial assistance totaling \$8,688,000.

The grantee's financial management system was not sufficient to ensure that reported costs complied with federal regulations. The grantee's claim included unallowable costs involving procurement, interest, organizational costs, lobbying, indirect costs, and labor and fringe benefit costs. Further, total project costs may be unreasonable. The grantee also may not have provided at least .4 new acres of wetlands to replace wetlands filled during construction.

We recommended that the Regional Administrator, EPA Region 5, recover \$801,118 of the questioned costs, recover any unreasonable project costs, and designate the grantee as a high-risk grantee.

(Report Number 09-4-0112, ML Wastewater Management, Inc. - Procurement, Financial Management, and Lobbying Issues Under EPA Grant Number X97572201, March 9, 2009 – Report Cost: \$346,181)

Contracts

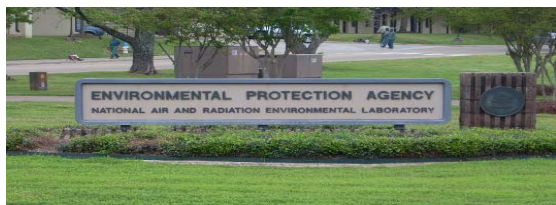
Improving EPA's use of contracts.

EPA Plans for Managing Counter Terrorism/Emergency Response Equipment Not Fully Implemented

EPA has progressed in implementing counter terrorism/emergency response initiatives, but is behind schedule in implementing the Radiation Ambient Monitoring System.

In response to Homeland Security Presidential Directive No. 7, issued in 2003, which requires federal agencies to identify, prioritize, and protect Critical Infrastructure and Key Resources from terrorist attacks, EPA issued its Critical Infrastructure and Key Resources Protection Plan.

The OIG sought to determine whether EPA had effectively implemented corrective actions to address findings and recommendations in a 2006 OIG report on counter terrorism/emergency response equipment. EPA encountered delays and problems with administering the Radiation Ambient Monitoring System contract. Further delays may occur as EPA may need to modify installed monitors after testing is completed. As a result, the Agency may have less information about the levels of radiation if a national radiological or nuclear emergency occurs.



EPA's National Air and Radiation Environmental Lab, Montgomery, Alabama, responsible for the Radiation Ambient Monitoring System. (EPA OIG photo)

EPA has not fully implemented a national equipment tracking system. While EPA staff said some delays were due to technical issues, unrealistic milestones and limited resources also contributed to the nearly 2-year delay in implementing a system. Not having a functional national system to track and manage equipment may impair EPA's ability to protect public health and the environment in the event of a terrorist attack or other nationally significant incident.

For almost 2 years, EPA did not track corrective actions in the Management Audit Tracking System for the 2006 report and did not notify the OIG when it made changes to the corrective action plan. When the Agency started tracking corrective action, the information was not accurate. Not properly tracking corrective actions may adversely affect the completeness and accuracy of the Agency's annual reporting process and reports to Congress.

(Report No. 09-P-0087, EPA Plans for Managing Counter Terrorism/Emergency Response Equipment and Protecting Critical Assets Not Fully Implemented, January 27, 2009 – Report Cost: \$216,000)

Forensic Audits

Identifying fraud, waste, and abuse in grants and contracts.

Reviews of Special Appropriation Act Project Grants Note Potential Savings

We reviewed costs claimed under Special Appropriation Act Project grants, and noted various instances of ineligible costs claimed.

Since 1992, EPA has awarded over 5,000 Special Appropriation Act Project grants, totaling over \$5 billion, based on congressional earmarks. EPA awarded these grants to State and local governments and quasi-governmental agencies (such as water improvement districts) to assist in planning, designing, and constructing wastewater and drinking water facilities.

In FY 2007, we began reviewing selected Special Appropriation Act Project grants. To date, we have identified \$6,364,717 in ineligible and questioned costs claimed, including \$714,600 identified in reports published during the semiannual reporting period ending March 31, 2009. We identified the following during the latest semiannual reporting period.

- The **Washoe County Department of Water Resources (Nevada)** did not meet federal financial management requirements. The grantee claimed (1) indirect costs without approved rates or cost allocation plans, (2) fringe benefit costs that were not based on approved rates or a cost allocation plan, (3) contract costs under one grant that were not allocable, and (4) unallowable interest expenses. Also, the grantee charged estimated labor costs to the grants without adjusting to actual costs, and procured sole source contracts without cost analysis. We recommended that EPA Region 9 disallow and recover \$291,494 in questioned costs and require the grantee to establish procedures to ensure that it charges costs according to federal policy, and conducts procurements according to federal regulations. As of September 2008, Region 9 had recovered \$26,774 of the questioned



The Lemmon Valley project in Washoe County.
(EPA OIG photo)

costs from the grantee. (*Report No. 09-2-0011, Costs Claimed under EPA Grants XP96909501 and XP97963701 Awarded to the Washoe County Department of Water Resources, Nevada, October 20, 2008 – Report Cost: \$144,657*)

- The **City of Rupert, Idaho**, did not meet federal requirements for financial management. In particular, the grantee claimed unsupported costs and unallowable pre-award, interest, and equipment costs. Also, the grantee reported cumulative total project costs that were not supported by accounting records. We recommended that EPA Region 10 disallow \$423,106 and recover \$63,256 in costs questioned under Grant XP98011401. (*Report No. 09-2-0078, Costs Claimed under EPA Grant XP98011401 Awarded to the City of Rupert, Idaho, January 12, 2009 – Report Cost: \$101,397*)

We plan to continue auditing Special Appropriation Act Project grants.



City of Rupert's 1.1 million gallon water storage tank. (EPA OIG photo)

Financial Management

Improving the Agency's financial management.

EPA Earns Unqualified Opinion on Financial Statements

We rendered an unqualified, or clean, opinion on EPA's Consolidated Financial Statements for FYs 2008 and 2007. That means we found the statements to be fairly presented and free of material misstatement. However, in evaluating internal controls we noted eight significant deficiencies.

Significant deficiencies are deficiencies in internal controls that adversely affect the entity's ability to report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements will not be prevented or detected. The eight significant deficiencies noted are as follows:

- EPA's oversight of payroll reconciliation needs improvement.
- EPA did not properly calculate the third quarter FY 2008 accrual for federal unbilled receivables.
- EPA needs to reconcile Superfund State Contract funds and credits in the general ledger to subsidiary accounts.
- EPA's review of unliquidated obligations for interagency agreements and Headquarters-funded grants was incomplete.
- The Integrated Financial Management System Vendor Table was susceptible to unauthorized changes, and EPA did not retain supporting documentation for numerous changes.
- EPA did not adequately monitor Superfund Special Account balances.
- The lack of a system implementation process contributed to financial applications not complying with requirements.
- EPA did not properly account for capitalized software and related accumulated depreciation.

Regarding compliance with laws and regulations, we found that EPA violated the Anti-Deficiency Act when it recorded a subsidy re-estimate for the Asbestos Loan Program without an approved apportionment letter from the Office of Management and Budget. EPA also violated the Prompt Payment Act by not paying 20 FY 2008 telecommunications invoices timely. Further, EPA needs to continue to reconcile \$192 million of unreconciled differences with 46 trading partners for intragovernmental transactions.

The Agency generally agreed with the internal control issues and has begun taking corrective actions. The Agency did not agree with the Anti-Deficiency Act finding, and

indicated it will instead conduct an internal investigation and work with OMB. Feedback from these sources will determine the Agency’s future course of action.

(Report No. 09-1-0026, Audit of EPA’s Fiscal 2008 and 2007 Consolidated Financial Statements, November 14, 2008 – Report Cost: \$2,174,361)

EPA Should Strengthen Controls over Interagency Agreement Unliquidated Obligations

EPA has not closed out interagency agreements that have at least \$4.2 million of unneeded funds that should be deobligated. EPA deobligated an additional \$2.3 million as a result of our audit. These funds could be used for other environmental projects.

An interagency agreement is a written agreement between federal agencies in which one agency provides goods or services to another agency on a reimbursable basis. It is EPA’s policy to close all interagency agreements within 270 days after the project period

expires. As part of close-out, unliquidated obligations should be deobligated so that the funds can be used for other purposes.

Funds Deobligated or Needing Deobligation

Funds deobligated between January 7, 2008, and April 25, 2008, as a result of our audit	\$2.3 million
Unneeded funds that should be deobligated	<u>4.2 million</u>
Total	\$6.5 million

Source: OIG analysis

Controls for identifying funds for deobligations were not always effective. Appropriate EPA

personnel did not effectively monitor interagency agreements to ensure they were closed out timely and unneeded funds deobligated. The annual unliquidated obligation review was not effective and did not identify funds that should have been deobligated. EPA staff cited various reasons, including unfamiliarity with procedures and difficulties working with other agencies.

We recommended that EPA deobligate the remaining \$4.2 million in unliquidated obligations, and establish various procedures to address the deficiencies noted. The Agency agreed with our recommendations and has begun establishing needed procedures.

(Report No. 09-P-0086, EPA Should Strengthen Internal Controls over Interagency Agreement Unliquidated Obligations, January 26, 2009 – Report Cost: \$374,414)

Pesticide Registration Fund Earns Unqualified Opinion

We rendered an unqualified, or clean, opinion on EPA's Pesticide Registration Fund Financial Statements for FYs 2008 and 2007.

The Pesticide Registration Improvement Act authorized EPA to assess and collect pesticide registration fees to expedite the registration of certain pesticides. The fees collected are deposited into the Pesticide Registration Fund. In our opinion, the financial statements, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, net cost, changes in net position, and budgetary resources of the fund. We found no instances of noncompliance.

(Report No. 09-1-0107, Fiscal Year 2008 and 2007 Financial Statements for the Pesticide Registration Fund, March 3, 2009 – Report Cost: \$157,239)

For details on an additional financial management issue, please refer to page 16, "Superfund Special Accounts Need Improved Management."

Risk Assessment and Program Performance

Improving EPA internal control processes, structure, and workforce/manpower.

EPA Staffing Levels and Facility Costs Determined

At the request of the House Appropriations Subcommittee on Interior, Environment and Related Agencies, we prepared several spreadsheets on the staffing levels, rental/lease fees, and utility and security costs for all of EPA's facilities and/or locations where EPA incurs costs associated with its employees. For those offices that house five or fewer employees, we provided the purpose of the facility, as requested.

We determined that EPA had 18,054 employees working at about 140 facilities. The costs to operate those facilities totaled almost \$298.2 million a year. That encompassed \$235.1 million in rent/lease costs, \$41.8 million security costs, and \$21.3 million in utility costs. A breakdown of staffing and the total costs for EPA Headquarters and the 10 regional headquarters offices follow.

Staffing and Total Costs for Main EPA Offices

	Staffing	Total Costs
Headquarters		
Washington, DC	5,302	\$94,515,500
Arlington, VA	1,267	23,045,539
EPA Regional Headquarters Offices		
Region 1, Boston, MA	658	\$12,324,474
Region 2, New York, NY	683	19,545,240
Region 3, Philadelphia, PA	845	8,935,323
Region 4, Atlanta, GA	923	10,301,204
Region 5, Chicago, IL	1,227	17,855,377
Region 6, Dallas, TX	811	6,172,968
Region 7, Kansas City, KS	556	10,800,505
Region 8, Denver, CO	557	9,820,735
Region 9, San Francisco, CA	829	8,346,231
Region 10, Seattle, WA	499	7,896,654

Source: EPA Office of Human Resources

(Report No. 09-P-0080, Congressionally Requested Report on EPA Staffing Levels and Total Costs for EPA Facilities, January 14, 2009 – Report Cost: \$56,969)

Improvement Needed in Measuring and Reporting Pollution Prevention Program Results

The Pollution Prevention Program's data provided in response to the Office of Management and Budget's Program Assessment Rating Tool (PART) assessment generally addressed the PART questions and supported the moderately effective rating received. However, we noted several weaknesses.

The Pollution Prevention Act of 1990 established policy for controlling industrial pollution at its source. EPA uses the Pollution Prevention Program to facilitate adopting source reduction techniques by businesses, EPA, and other federal agencies. PART is a diagnostic tool designed to assess the management and performance of federal programs.

Voluntary Pollution Prevention Activities ("Centers of Results") Reviewed

- Design for the Environment
- Environmentally Preferable Purchasing
- Green Chemistry
- Green Suppliers Network
- Hospitals for a Healthy Environment/
Partnership for Sustainable Healthcare
- Pollution Prevention Resource Exchange
- Pollution Prevention Program in
EPA's 10 Regional Offices

Source: OIG analysis

The Pollution Prevention Program's FY 2006 PART performance measures were not designed to report on the program's impacts on human health and the environment. Program managers believed that reductions in discharges and emissions of pollutants represent the best measures that can be supported, and acknowledged that additional outcome measures are needed. Also, the program's verification and validation procedures did not ensure the accuracy of performance data obtained from voluntary partnerships with industry and other

organizations. Further, some EPA actions to address its program improvement plan have been slow, and the plan did not address all deficiencies identified in the PART assessment.

We recommended that EPA continue efforts to develop performance indicators that measure impacts on human health and the environment, require development of a Quality Assurance Project Plan for data collection and reporting, and develop a program improvement plan to address all deficiencies identified in the PART assessment. EPA concurred with our recommendations.

(Report No. 09-P-0088, Measuring and Reporting Performance Results for the Pollution Prevention Program Need Improvement, January 28, 2009 – Report Cost: \$428,435)

Information Resources Management

*Helping the Agency maintain its
systems and data.*

Better Procedures Needed to Manage Tracking System Development

Lack of compliance with established project management procedures resulted in transitional problems in 2005 that delayed developing the Institutional Controls Tracking System (ICTS) and negatively affected contractor performance.

In 2003, EPA's Superfund program entered into a contract to develop ICTS to make information available via the Internet. In 2005, EPA entered into a task order under a different contractor to continue ICTS development.

We performed this review in response to an anonymous OIG Hotline complaint alleging mismanagement of the ICTS project. Although we could not substantiate the alleged claims, the absence of key decision documents and significant turnover of key ICTS personnel could have contributed to the complainant's perception that ICTS project decisions were made in a haphazard manner. In April 2006, EPA assigned a certified project manager to oversee ICTS development. In 2007, EPA merged ICTS with the Superfund Document Management System, and EPA has taken steps to develop a System Management Plan. We made three recommendations for EPA to better manage system development and the Agency agreed with our recommendations.

(Report No. 09-P-0128, Lack of Project Plan Resulted in Transition and Contractor Performance Problems for the Institutional Controls Tracking System, March 25, 2009 – Report Cost: \$155,121)

Technical Network Vulnerability Assessed at Various Locations

The OIG contracted with a firm to conduct network vulnerability testing at various locations to identify any local area network risk vulnerabilities, and present the results to the appropriate EPA officials, to promptly remediate the vulnerability or document planned actions to do so.

Vulnerability testing at various locations, done per the Federal Information Security Management Act, disclosed the following at specific EPA locations:

- **EPA Headquarters, Washington, DC:** EPA could only identify 118 of the 391 Internet Protocol addresses identified by audit as containing vulnerabilities. This prevented EPA from taking immediate actions to address vulnerabilities. Also,

field work disclosed weaknesses in the quality of information EPA uses to track the ownership of Internet Protocol addresses. The report also addressed several Region 9 problems (see below) that need to be addressed by EPA Headquarters since Headquarters personnel manage those assets. (*Report No. 09-P-0097, Results of Technical Network Vulnerability Assessment: EPA Headquarters, February 23, 2009 – Report Cost [contract and OIG oversight]: \$22,153*)

- **Research Triangle Park Campus, Research Triangle Park, North Carolina:** We originally issued this report to the National Computer Center at Research Triangle Park outlining several weaknesses that remained uncorrected since issuing the draft vulnerability assessment report. The National Computer Center provided an updated status to address the weaknesses under their control, and upon further discussion we learned that several weaknesses must be corrected by other organizations within the Research Triangle Park Campus. We reissued this report to make further distribution of the vulnerability test results to other responsible organizations within the Research Triangle Park Campus. (*Report No. 09-P-0055, Results of Technical Network Vulnerability Assessment: EPA's Research Triangle Park Campus, December 9, 2008 – Report Cost [contract and OIG oversight]: \$22,153*)
- **Las Vegas Finance Center, Las Vegas, Nevada:** Internet Protocol addresses with medium-risk vulnerabilities were identified. Although Center personnel took actions to remediate the findings, supporting documentation is needed. (*Report No. 09-P-0054, Results of Technical Network Vulnerability Assessment: EPA's Las Vegas Finance Center, December 9, 2008 – Report Cost [contract and OIG oversight]: \$22,153*)
- **Radiation and Indoor Environments National Laboratory, Las Vegas, Nevada:** Internet Protocol addresses with medium-risk vulnerabilities were identified. The Laboratory took appropriate actions to resolve the network vulnerabilities under their control. (*Report No. 09-P-0053, Results of Technical Network Vulnerability Assessment: EPA's Radiation and Indoor Environments National Laboratory, December 9, 2008 – Report Cost [contract and OIG oversight]: \$22,153*)
- **Region 9, San Francisco, California:** Internet Protocol addresses with high- and medium-risk vulnerabilities were identified. Although Region 9 took actions to remediate most of the documented findings, several vulnerabilities (both high and medium) remained unresolved. (*Report No. 09-P-0052, Results of Technical Network Vulnerability Assessment: Region 9, December 9, 2008 – Report Cost [contract and OIG oversight]: \$22,153*)

Investigations

Investigating laboratory fraud, financial fraud, and computer crimes.

Sentence Imposed in Bid-Rigging Case

On December 15, 2008, in U.S. District Court for the District of New Jersey, Bennett Environmental, Inc. (BEI), a Canadian company, was sentenced to 5 years probation and ordered to pay a \$1,000,00 fine and \$1,662,000 in restitution to EPA. The restitution order applies jointly to BEI and several co-conspirators. This sentencing is a result of BEI's guilty plea in a bid-rigging scheme in connection with awarding subcontracts at the Federal Creosote Superfund site in Manville, New Jersey.

In addition to the criminal sentence, BEI entered into a compliance agreement with EPA. As part of this agreement, BEI will establish a corporate responsibility program, which includes establishing ethical standards and a business code of conduct, as well as training its employees in these areas.

BEI previously pled guilty to conspiracy to defraud EPA at the Federal Creosote site by inflating the prices it charged to a prime contractor and paying kickbacks to employees of that contractor from approximately May 2002 until spring 2004. BEI was given confidential bid information that it used to inflate invoices to cover almost \$1.3 million in kickbacks to employees of the prime contractor in exchange for their assistance in steering subcontracts to BEI. The kickbacks were in the form of money wire transfers, cruises for senior officials, various entertainment tickets, and home entertainment electronics. As part of the fraudulent scheme, BEI and its co-conspirators also included amounts it kept for itself in the inflated invoices.

This case is being conducted with the Internal Revenue Service Criminal Investigation Division. (Case Cost: \$332,310)

New York Businessmen Sentenced in Hazardous Waste Case

On November 4, 2008, Moshe Rubaskin of Brooklyn, New York, was sentenced in U.S. District Court for the Eastern District of Pennsylvania to 16 months in prison to be followed by 3 years of supervised release, and was ordered to pay \$450,000 in restitution and a \$7,500 fine. Rubaskin previously pled guilty to storing hazardous waste at a textile factory in Allentown, Pennsylvania. His son, Sholom Rubaskin, also pled guilty to making a materially false claim to EPA. On March 24, 2009, his son was sentenced to 4 months in prison to be followed by 3 years of supervised release, and was ordered to perform 250 hours of community service and pay a \$5,000 fine. In addition, the son will be held jointly liable, along with his father, for the \$450,000 in restitution.

The convictions stem from the Rubaskins' ownership and operation of Montext Textiles, a textile dyeing, bleaching, and weaving business. When the business ceased operations in 2001, numerous containers of hazardous waste were stored at the site without the necessary environmental permits. After local authorities responded to two fires at the site, EPA and the City of Allentown initiated a clean-up at the facility to dispose of numerous containers of hazardous waste and hazardous substances. The Rubaskins are jointly liable for the restitution, which will be paid to EPA and the City of Allentown to cover the clean-up cost.

This case is being conducted with the EPA Criminal Investigation Division. (Case Cost: \$139,925)

Metal Processing Company Sentenced for Making a False Statement

On January 21, 2009, Heraeus Metal Processing, Inc., Santa Fe Springs, California, was convicted and sentenced in the U.S. District Court for the Eastern District of Tennessee for filing a false material statement in documents required to be maintained under the Clean Air Act. Heraeus was sentenced to 18 months probation and ordered to pay a \$350,000 fine.

Heraeus falsified baghouse pressure logs and scrubber logs that were required to be maintained at its Wartburg, Tennessee, facility pursuant to permits issued by the Tennessee Department of Environment and Conservation under delegations from EPA. The Clean Air Act requires that logs be maintained to record the various operating parameters of the scrubber and baghouse air pollution control devices. Heraeus was required to submit an annual report to the Tennessee Department of Environment and Conservation in March 2005, to include the logs. The investigation determined that between October 2004 and at least February 2005, no contemporaneous logs were maintained by the Wartburg facility as required by the permits. Subsequently, Heraeus's Operations Manager created, or caused to be created, false logs for the Wartburg facility. After the falsification became known, Heraeus fully cooperated with the federal investigation.

Based upon the conviction, a Clean Air Act Listing was published whereby Heraeus is prohibited from receiving any government contract, loan, or benefit at the violating facility until the conditions that gave rise to the Clean Air Act violation have been corrected.

This case is being conducted with the East Tennessee Environmental Crimes Task Force, which includes EPA's Criminal Investigation Division and Office of Inspector General; the Tennessee Department of Environment and Conservation; and the Tennessee Valley Authority Office of Inspector General. (Case Cost: \$149,975)

Former Tribal Governor and Finance Director Convicted of Conspiracy, Fraud, and False Statements

On November 21, 2008, Robert Newell, the former governor of the Passamaquoddy Tribe Indian Township Reservation, and James Parisi, the former finance director under Newell, were convicted after a 2-week jury trial in U.S. District Court for the District of Maine.

Newell was convicted of conspiring to defraud the United States, intentionally misapplying tribal government funds, intentionally misapplying funds of a federal health care benefit program, making false statements to U.S. agencies, and submitting false claims to the government. The charges relate to the use of restricted funds awarded to the tribe while Newell was the governor from 2002 to 2006. Parisi was convicted of conspiracy, intentionally misapplying tribal funds and health care benefit program funds, and submitting false statements and false claims.

The investigation established that from 2003 to 2006, Newell and Parisi conspired to defraud the government by misapplying approximately \$1.7 million in restricted federal funds that had been awarded to the tribe for the benefit of its tribal programs. Newell and Parisi also diverted funds from the tribal employees' retirement account. Newell used the restricted federal funds to benefit himself, his family, and other tribal members. Parisi assisted Newell by transferring funds between tribal bank accounts and submitting a false statement and false claims for reimbursement to the government.

This case is being conducted with the Offices of Inspector General at the U.S. Department of Interior, U.S. Department of Justice, U.S. Department of Health and Human Services, and U.S. Department of Housing and Urban Development; as well as the U.S. Department of Labor, Employee Benefits Security Administration. (Case Cost: \$212,566)

Individual Sentenced for Impersonation Related to Hurricane Katrina

On November 13, 2008, Justin Vassas was sentenced in U.S. District Court for the Middle District of Louisiana to 6 months of home detention and 5 years probation, and ordered to pay a \$2,000 fine. The sentence relates to Vassas' guilty plea to falsely impersonating an employee of the Federal Government. After Hurricane Katrina, Vassas sought to obtain monies from an individual by falsely representing that EPA would reimburse him for costs associated with the clean-up of debris from his property. Specifically, Vassas attempted to have the individual pay for a trash dumpster that was not needed. Vassas further attempted to execute his scheme by using information obtained from EPA's Website to create an employee identification number for a fictitious EPA employee.

(Case Cost: \$44,446)

Former EPA Intern Sentenced for Submitting False Timesheets

On December 3, 2008, Stephanie Jackson, of Arlington, Texas, was sentenced in U.S. District Court for the District of Massachusetts to 3 years of probation and ordered to pay \$23,712 in restitution to EPA. Jackson was previously charged in June 2008. Jackson was employed with The Environmental Careers Organization, Inc. (ECO). ECO placed Jackson in an internship position with EPA in March 2006; however, EPA contacted ECO within 2 weeks and requested that Jackson be replaced with another intern. After she left her internship at EPA, Jackson submitted forged timesheets to ECO, which subsequently continued to pay Jackson a salary for approximately 1 year after her internship had been terminated. Her salary was paid from funds provided to ECO through an EPA grant.

(Case Cost: \$41,339)

Legal Reviews

Conducting requested reviews of legal issues involving EPA.

No Violations Found in Removal of Comments from Peer Review Report

In response to a request from the EPA Deputy Administrator, we conducted a review of whether EPA violated existing federal law, regulations, guidance, or other relevant requirements when it removed the peer review panel chair's comments from a peer review report on polybrominated diphenyl ethers (PBDEs). After the completion of the external peer review of PBDE, EPA received allegations of a lack of impartiality and objectivity by the chair, Dr. Deborah Rice. EPA examined the allegations, removed Dr. Rice's comments from the PBDE peer review report, and published an explanatory message in the report and on the associated Website. Although we did not make a recommendation, we suggested that EPA consider establishing a process for reviewing allegations of conflict of interest or lack of impartiality raised after a peer review panel has convened. (*Report No. 09-P-0084, No Violations Found Regarding Removal of Comments from an External Peer Review, January 16, 2009 – Report Cost: \$48,398*)

Actions to Deny California Emissions Waiver Did Not Deviate from Protocol

In response to a congressional request from the Subcommittee on Interior, Environment, and Related Agencies of the U.S. Senate's Appropriations Committee, we reviewed whether then EPA Administrator Stephen Johnson's actions to deny California's request for a waiver to implement a law to reduce greenhouse gas emissions from automobiles satisfied the procedural statutory requirements. On December 19, 2007, the Administrator sent a letter to California's Governor informing him that EPA "will be denying" California's waiver request. The explanation for the Administrator's decision was set out in a lengthy Federal Register decision on March 6, 2008. We found that the Administrator conducted a notice and hearing phase and based his decision to deny the waiver on one of the three criteria set out in Section 209(b) of the Clean Air Act, which satisfied the procedural statutory requirements. (*Report No. 09-P-0056, EPA's California Waiver Decision on Greenhouse Gas Automobile Emissions Met Statutory Procedural Requirements, December 9, 2008 – Report Cost: \$17,946*)

Release of "Talking Points" to Former Administrator Not Found to Be a Violation

In response to a request from a member of the Committee on Environment and Public Works, we reviewed the preparation and subsequent release in October 2007 of "Talking Points" related to the California waiver petition to former EPA Administrator William Reilly and determined that the preparation and release did not constitute a violation of

law, regulation, or policy. We found that Anti-Lobbying Act provisions are not applicable to these events, and the activities did not violate the ethics regulations governing use of government equipment, resources, and position. We found that no “inside” or confidential information had been disclosed, and the preparing of the information was consistent with EPA’s unwritten practice of sharing information with stakeholders. (*Report No. 09-P-0043, Response to Congressional Inquiry Concerning EPA’s Preparation and Provision of Information Regarding California Waiver Decision, November 26, 2008 – Report Cost: \$52,858*)

Briefings

Providing briefings before congressional committees.

Acting Inspector General Briefs Key House Appropriators on Challenges Facing EPA

On March 4, 2009, Acting Inspector General Bill Roderick briefed the Chairman and Ranking Member of the House Appropriations Subcommittee on Interior, Environment and Related Agencies, on financial and program management issues facing the EPA based on prior OIG work.

Mr. Roderick identified three financial management issues warranting attention:

- Unliquidated grant obligations, which are funds awarded to recipients that have not been spent.
- Superfund special accounts.
- Special Appropriation Act Project grants.

The OIG found that unliquidated grant obligations totaling millions of federal dollars sit idle for years in EPA's border programs and Superfund special accounts. These funds could be deobligated and used to address other pressing needs. As a result of OIG work, EPA has taken action to reduce the amount of unliquidated obligations and has reported improved processes. However, this work is not complete. We also found that most of the Special Appropriation Act Project grant recipients we have audited lacked adequate financial controls and systems to manage federal funds received.

Mr. Roderick discussed program management issues facing the ENERGY STAR program; these issues are also applicable to other voluntary programs offered by EPA. Voluntary programs, which substitute mandatory behavior with voluntary actions, have proliferated at EPA in recent years and have been relied upon to address a wide variety of environmental challenges. OIG work has shown, however, that these programs often lack consistent and reliable data because they rely on unverified third party reporting or self-certification. Without assurances in the quality of its data, the effectiveness and reported benefits of partnership programs such as ENERGY STAR may be questionable.

Other Activities

OIG Issues 2008 Annual Performance Report and Statistical Abstract

The OIG issued its Annual Performance Report for FY 2008, its seventh such annual report. This year, the report has been enhanced with a statistical abstract. The report presents narrative and statistical summaries of OIG performance, and demonstrates the OIG's value added and return on investment to the public. The report includes historical financial and performance data tables that demonstrate time series trends and relationships.

This report fulfills the reporting requirements of the Government Performance and Results Act in demonstrating how well the EPA OIG achieved results in FY 2008 compared to its 2008 Annual Performance Targets. It also presents OIG cumulative results for FYs 2003 through 2008 compared to the cumulative goal targets for those periods.

This Annual Performance Report, designed to provide full accountability for the operations of the OIG, supplements the OIG summary statistics in EPA's FY 2008 Performance Accountability Report. It includes a bulleted account of OIG performance highlights and operational improvement, financial summaries, management challenges, summaries of OIG operations and productivity, narrative highlights of how OIG work is improving EPA operations, and the costs and timeliness of all issued products. The report is available at <http://www.epa.gov/oig/reports/2009/AnnualPerformanceReport2008.pdf>.

OIG Continues Integrating Technology for Greater Efficiency and Transparency

The OIG expanded the development and application of its integrated management information system (Inspector General Enterprise Management System, or IGEMS) by creating a new module for the OIG Performance Measurement and Results System (PMRS). The PMRS captures, aggregates, sorts, and reports on the outputs and monetary and cumulative results of OIG work through a variety of measures. PMRS combines the costs of each assignment by type, timeliness, associated team members, and quality score for a balanced scorecard and return-on-investment approach to activity and performance accountability. PMRS, in conjunction with IGEMS, provides a means to track actions on individual recommendations to enhance follow-up and accrue continuing outcome results and benefits attributable to OIG recommendations. PMRS provides real-time performance progress reporting against annual Government Performance and Results Act targets, and will be used to fulfill the OIG reporting requirements of the Recovery Act.

EPA Needs to Strengthen Its Guidance for Reporting on Internal Control Assessments

Under the Federal Managers' Financial Integrity Act (FMFIA), EPA annually assesses its internal controls and provides an assurance letter to the President. The assessment assists EPA managers in guarding against fraud, waste, and abuse; and in identifying challenges to program performance. In assessing controls and preparing their assurance letters, EPA offices are to use the Standards for Internal Control in the Federal Government, issued by the Government Accountability Office. Those standards cite five elements of an effective internal control program:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

In a January 30, 2009, memorandum to the Acting Chief Financial Officer, we pointed out that EPA's FY 2009 guidance for implementing FMFIA, while citing all five elements, only required program offices to report on the Control Environment. Reporting on all elements would enhance the effectiveness of the internal control assessment process and provide added support for the program offices' annual assurance letters. We suggested that the Office of the Chief Financial Officer revise its FY 2009 FMFIA guidance to require program offices to report on all five aspects of the internal control standards.

In response to our memorandum, the Office of the Chief Financial Officer indicated it plans to revise the template for FY 2010. The Office of the Chief Financial Officer also agreed to strengthen the 2009 personal statements of assurance required of all Assistant and Regional Administrators in their assurance letters to the Administrator to specifically require that they assessed effectiveness of internal controls based on the Government Accountability Office's five standards.

OIG Reviews EPA's FY 2008 Draft Performance and Accountability Report

Our review of EPA's FY 2008 draft Performance and Accountability Report found the report to, overall, be complete in its fulfillment of Government Performance and Results Act requirements.

Congress directed OIGs to annually review and report on their agencies' general compliance with the Government Performance and Results Act. We fulfilled this direction by reviewing and reporting to the Agency on its draft annual Performance and

Accountability Report any omissions and areas for improvement. We generally did not verify the accuracy of the data.

EPA's draft had a number of improvements based on our suggestions in prior years, and continues the positive trend of being more specific. However, the report had areas that still needed to be structurally strengthened. For example:

- **Better balance and perspective needed.** While challenges were presented, they tended to be general. Measures and accomplishments need to be put into perspective in terms of time, the universe, baselines, and overall goal.
- **Greater emphasis on collaboration and relative contribution needed.** Many of the results and challenges are dependent upon interaction of both federal and State/tribal partners. This report should better describe the contribution to results or barriers attributable to those partners.
- **EPA results narrow.** The presentation of results by goals and objectives is narrow, and does not recognize confluence across goals and objectives. EPA should attempt to reference those interactions to present a better view of EPA's overall performance.

In response to our review comments, EPA's Office of the Chief Financial Officer made a number of improvements in the final version of the Agency's Performance and Accountability Report.

Legislation and Regulations Reviewed

Section 4 (a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the program and operation of EPA, and to make recommendations concerning their impact. The primary basis for our comments are the audit, evaluation, investigation, and legislative experiences of the OIG, as well as our participation on the Presidents Council on Integrity and Efficiency. During the reporting period, we reviewed 33 proposed changes to legislation, regulations, policy, and procedures that could affect EPA, and we provided comment on 22 of those reviewed. We also reviewed drafts of OMB Circulars, program operation manuals, directives, and reorganizations. Details on several items follow.

H.R. 1, "American Recovery and Reinvestment Act of 2009." H.R. 1, also known as the "Stimulus Bill," was enacted on February 17, 2009. This legislation provides supplemental appropriations for job preservation and creation, and establishes an oversight board to ensure accountability and transparency of stimulus funds. The OIG provided comments on a draft version of this bill to the Council of the Inspectors General on Integrity and Efficiency Legislation Committee expressing concerns that some of the

board's authorities may conflict with existing OIG authorities. Comments were also provided on the potential impact of the legislation's whistleblower provisions on the OIG. Other Inspectors General expressed similar concerns, which were shared by the Council's Legislation Committee with the Senate Homeland Security and Governmental Affairs and House Oversight and Government Reform Committees on behalf of the Inspector General community.

Proposed Resource Management Directive Chapter 2540-16, *Financial Emergency Management Policy Standard and Procedure*. EPA's Office of the Chief Financial Officer proposed the addition of Chapter 2540-16, *Financial Emergency Management Policy Standard and Procedure*, to the Resource Management Director. The proposed chapter is designed to provide guidance on financial management in emergency situations. This guidance will help program and financial managers determine financial management activities to perform, internal control requirements, and documentation requirements, and also measure success. The proposed policy procedure provides a framework for the Agency to comply with the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

We noted that the policy is primarily directed at EPA's involvement in helping during national disasters, such as hurricanes. In these cases, it is how soon assistance can get to the area that would be EPA's focus in the crisis. The "Measures of Success" do not sufficiently address how well EPA responded during the disaster, as well as factors that may occur in the financial process, such as the handling of receivables, collections, loan payments, payroll processing, billings, or obligations. When dealing with Hurricanes Katrina and Rita, reimbursements to EPA were slow in coming because the agency with responsibility over the crisis demanded more support than what EPA normally provides in an interagency activity. The policy does not direct the coordination effort for the types of support needed and turnaround of invoices for reimbursement. It does refer to the Federal Emergency Management Agency and other policies, but does not provide direction on what EPA staff should do to ensure reimbursement of funds.

Council of Inspectors General on Integrity and Efficiency Exposure Draft for the *Guide for Conducting External Peer Reviews of the Audit Operations of Offices of Inspector (the Guide)*. We reviewed and provided comments on the Guide in October 2008, and the revision in February 2009. This document presents guidance for conducting external peer reviews of federal OIG audit organization. The Guide was developed to ensure the adequacy and consistency of the reviews in accordance with the policy statement issued by the Council's Audit Committee. We made a number of comments to strengthen and clarify the proposed Guide, including:

- The checklist should require a more thorough and detailed review of how well the evidence supporting a report's findings and conclusions is documented. Government Auditing Standard 7.77 requires that audit documentation be

prepared "...in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of procedures performed, the audit evidence obtained and its source and the conclusions reached." None of the checklist questions address the standard.

- The concept of the "Pass with Deficiencies" is an area of significant subjective judgment and interpretation. "Pass with Deficiencies" (as opposed to "Pass" or "Fail") means there are deficiencies but they are not significant enough to call for a failing grade. We suggest that the Guide list stronger criteria for the use of a "Pass with Deficiencies," and specific actions that an OIG would have to take to improve to a "Pass" status.
- We suggest that a new section be created under *Planning and Performing the External Peer Review* that takes a broader view of the organizational structure and reporting relationships, the overall audit planning process, and the process for following up on audit recommendations.

Proposed Revision to the Resource Management Directive Chapter 2550D-12, *Superfund Cost Documentation and Cost Recovery*. EPA's Office of the Chief Financial Officer proposed a revision to Chapter 2550D-12, *Superfund Cost Documentation and Cost Recovery*, of the Directive. This chapter provides guidance to ensure Superfund site costs are adequately identified and documented. Additionally, this guidance includes the requirement to identify costs that are not billed and to document the explanation for not billing the costs. This policy procedure provides a framework for the Agency to comply with the Comprehensive Environmental Response, Compensation, and Liability Act. We made a number of comments to strengthen and clarify the proposed revision, including:

- We recommended that the document include some time frames. Section II, *Areas of Responsibility*, describes the roles and responsibilities of the offices in the cost recovery process, but Section II does not say when or how often the offices perform these functions. For example, Section II.D, *Program Costing Staff, Office of Financial Management*, states that the Program Costing Staff compute the indirect cost rates and the contractor annual allocation rates used in cost recovery, but it does not say when or how often this is determined.
- In Section III.A.4, *Contracts*, invoices are included as paper documentation but not under electronic documentation. We recommended that because EPA receives many invoices electronically, invoices should be included under both paper and electronic documentation.

Statistical Data

Profile of Activities and Results

Audit Operations Office of Inspector General Reviews	
October 1, 2008 to March 31, 2009 (\$ in millions)	
Questioned Costs *	
▪ Total	\$8.0
▪ Federal	\$1.2
Recommended Efficiencies *	
▪ Federal	\$37.0
Costs Disallowed to be Recovered	
▪ Federal	\$0.84
Costs Disallowed as Cost Efficiency	
▪ Federal	\$39.5
Reports Issued - Office of Inspector General Reviews	34
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions) **	88

Audit Operations Other Reviews (Reviews Performed by Another Federal Agency or Single Audit Act Auditors)	
October 1, 2008 to March 31, 2009 (\$ in millions)	
Questioned Costs *	
▪ Total	\$25.2
▪ Federal	\$1.9
Recommended Efficiencies *	
▪ Federal	\$0
Costs Disallowed to be Recovered	
▪ Federal	\$1.8
Costs Disallowed as Cost Efficiency	
▪ Federal	\$0
Reports Issued – Other Reviews	
▪ EPA Reviews Performed by Another Federal Agency	37
▪ Single Audit Act Reviews	61
Total	98
Agency Recoveries Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) ***	\$9.0

Investigative Operations	
October 1, 2008 to March 31, 2009 (\$ in millions)	
Total Fines and Recoveries ****	\$3,681
Cost Savings	\$0
Cases Opened During Period	24
Cases Closed During Period	25
Indictments/Informations of Persons or Firms	6
Convictions of Persons or Firms	8
Civil Judgments/Settlements/Filings	0

- * Questioned Costs and Recommended Efficiencies are subject to change pending further review in the audit resolution process. Total Questioned Costs include contracts of other Federal agencies.
- ** 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.

Audit, Inspection, and Evaluation Report Resolution

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending March 31, 2009

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, 2008*	129	\$21,910	\$60,607	\$2,068	\$2,570
B. Which were issued during the reporting period	132	\$3,059	\$36,994	\$586	\$36,994
C. Which were issued during the reporting period that required no resolution	51	\$0	\$0	\$0	\$0
Subtotals (A + B - C)	210	\$24,969	\$97,601	\$2,654	\$39,564
D. For which a management decision was made during the reporting period	88	\$4,159	\$95,361	\$2,654	\$39,564
E. For which no management decision was made by March 31, 2009	122	\$20,810	\$2,240	\$0	\$0
F. Reports for which no management decision was made within 6 months of issuance	58	\$18,684	\$2,240	\$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 Inspector General Reports

This section presents statistical information as 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. As presented, information in Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by this office. Many of the reports were prepared by other federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to support the allowability of such costs subsequent to report issuance.

Table 1 - Inspector General-Issued Reports with Questioned Costs for Semiannual Period Ending March 31, 2009 (dollars in thousands)

Report Category	No. of Reports	Questioned Costs *	Unsupported Costs
A. For which no management decision was made by October 1, 2008 **	44	\$21,910	\$14,638
B. New reports issued during period	23	\$3,059	\$1,007
Subtotals (A + B)	67	\$24,949	\$15,645
C. For which a management decision was made during the reporting period	28	\$4,159	\$2,099
(i) Dollar value of disallowed costs	22	\$2,654	\$1,247
(ii) Dollar value of costs not disallowed	6	\$1,505	\$852
D. For which no management decision was made by March 31, 2009	39	\$20,810	\$13,546
Reports for which no management decision was made within 6 months of issuance	26	\$18,684	\$13,242

* Questioned costs include the 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, 2009 (dollars in thousands)

Report Category	No. of Reports	Dollar Value
A. For which no management decision was made by October 1, 2008 *	6	\$60,607
B. Which were issued during the reporting period	3	\$36,994
Subtotals (A + B)	9	\$97,601
C. For which a management decision was made during the reporting period	8	\$95,361
(i) Dollar value of recommendations from reports that were agreed to by management	3	\$39,564
(ii) Dollar value of recommendations from reports that were not agreed to by management	5	\$55,797
(ii) Dollar value of non-awards or unsuccessful bidders	0	\$0
D. For which no management decision was made by March 31, 2009	1	\$2,240
Reports for which no management decision was made within 6 months of issuance	1	\$2,240

* 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, 2009, Which Are 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	34	46%
Assistance Agreements	22	29%
Contract Audits	0	0%
Single Audits	19	25%
Financial Statement Audits	0	0%
Total	75	100.0%

Hotline Activity

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

	Semiannual Period (October 1, 2008 - March 31, 2009)
Inquiries Open at the Beginning of the Semiannual Period	12
Inquiries Received during the Semiannual Period	133
Inquiries Closed during the Semiannual Period	108
Inquiries Pending at the End of the Period	37
Issues Referred to:	
OIG Offices	20
EPA Program Offices	28
Other Federal Agencies	7
State/Local Agencies	46

Summary of Investigative Results

Summary of Investigative Activity during Period

Cases open as of October 1, 2008	79
Cases opened during period	24
Cases closed during period	25
Cases pending as of March 31, 2009	78

Investigations Pending by Type as of March 31, 2009

	Superfund	Management	Split Funded	Total
Contract	8	4	1	13
Assistance Agreement	0	32	1	33
Employee Integrity	0	0	0	0
Program Integrity	1	7	1	9
Computer Crime	0	3	0	3
Laboratory Fraud	1	13	0	14
Other	1	5	0	6
Total	11	64	3	78

Results of Prosecutive Actions

	EPA OIG Only	Joint *	Total
Criminal Indictments / Informations / Complaints	1	5	6
Convictions	1	7	8
Civil Judgments / Settlements / Filings	0	0	0
Fines and Recoveries (including Civil)	\$26,812	\$3,654,544	\$3,681,356
Prison Time	0 months	34 months	34 months
Prison Time Suspended	6 months	0 months	6 months
Probation	96 months	300 months	396 months
Community Service	0 hours	290 hours	290 months

Administrative Actions

	EPA OIG Only	Joint *	Total
Suspensions	4	2	6
Debarments	5	2	7
Compliance Agreements	0	1	1
Other Administrative Actions	3	1	4
Total	12	6	18
Administrative Recoveries	\$0	\$0	\$0

* With another federal agency.

Scoreboard of Results

Scoreboard of OIG Second Quarter (March 31, 2009) Performance Results Compared to Annual Performance Goal Targets

All results reported in FY 2009, from current and prior years' work, are as reported in OIG Performance Measurement and Results System, Inspector General Operations Reporting System, and Inspector General Enterprise Management System.

OIG FY 2009 Government Performance and Results Act Annual Performance Targets Compared to FY 2009 Results Reported	Supporting Measures
Goal: Contribute to Human Health and Environmental Quality Through Improved Business Practices, Accountability, and Integrity of Program Operations	
Environmental Improvements/Actions/Changes Improvements in Business/Systems/Efficiency Risks Reduced or Eliminated <i>Target: 318; Reported: 203 (64%)</i>	1 Legislative/regulatory change/decision 0 Examples of environmental improvement 0 Best practices implemented 10 Environmental or management policy, process, practice, control changes/decisions 12 Environmental or management risks reduced or eliminated or management results resolved 39 Certifications/validations/verifications/corrections 44 Recommendations reported as implemented previously identified unimplemented by follow-up 97 Actions taken or resolved prior to report issuance
Environmental and Business Recommendations, Challenges, Best Practices, and Risks Identified <i>Target: 903; Reported: 416 (46%)</i>	337 Environmental and management recommendations (for Agency/stakeholder action/improvement) 6 Critical congressional/public concerns addressed 12 Best practices identified 17 Referrals for Agency action 4 Environmental or management risks or challenges identified 40 Unimplemented recommendations identified
Return on Investment: Potential Dollar Return as Percentage (150%) of OIG Budget (\$52.3 million) <i>Target: \$63 M; Reported: \$46.3 M (EPA) (73.5%)</i>	<i>(Dollars in Millions)</i> \$ 3.1 Questioned costs (net EPA) \$ 37.3 Recommended efficiencies, costs saved (EPA) \$ 3.7 Fines, recoveries, settlements \$ 2.2 Monetary actions taken prior to report issuance
Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity <i>Target: 80; Reported: 43 (54%)</i>	8 Criminal convictions 6 Indictments/informations/complaints 0 Civil judgments/settlements/filings 19 Administrative actions 10 Allegations disproved
Sustained Monetary Recommendations and Savings Achieved from Current and Prior Periods: \$72.4 M Sustained Environmental and Management Recommendations for Resolution Action: 26 Reports Issued: 123	<i>(Dollars in Millions)</i> \$ 1.6 Questioned costs sustained \$70.8 Cost efficiencies sustained or realized * 140 Sustained recommendations * 34 OIG-produced reports 98 Reports by other audited entities w/OIG oversight

Second Quarter Targets = 50% of Annual Goal.

* Includes amounts from prior periods not previously claimed and resolved before report issuance and therefore not otherwise reported in the Agency resolution process.

Appendices

Appendix 1 - Reports Issued

The Inspector General Act 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.	Project Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
PERFORMANCE REPORTS						
09-P-0014	Compendium of Unimplemented Recommendations as of September 30, 2008	31-Oct-08	0	0	0	0
09-P-0029	EPA's Safety Determination for Delatte Metals Superfund Site	19-Nov-08	0	0	0	0
09-P-0043	Congressional Inquiry on EPA's Providing Information on California Waiver	26-Nov-08	0	0	0	0
09-P-0052	Technical Network Vulnerability Assessment: Region 9	9-Dec-08	0	0	0	0
09-P-0053	Technical Network Vulnerability Assessment: EPA's Radiation/Indoor Lab	9-Dec-08	0	0	0	0
09-P-0054	Technical Network Vulnerability Assessment: EPA's Las Vegas Finance Center	9-Dec-08	0	0	0	0
09-P-0055	Technical Network Vulnerability Assessment: EPA's Research Triangle Park	9-Dec-08	0	0	0	0
09-P-0056	EPA's California Waiver Decision on Greenhouse Gas Automobile Emissions	9-Dec-08	0	0	0	0
09-P-0061	Validating Reported ENERGY STAR Benefits	17-Dec-08	0	0	0	0
09-P-0079	Office of Inspector General Access Survey Results	13-Jan-09	0	0	0	0
09-P-0080	Congressionally Requested Report on EPA Staffing Levels and Facility Costs	14-Jan-09	0	0	0	0
09-P-0084	Review of Removal of Comments from External Peer Review	16-Jan-09	0	0	0	0
09-P-0085	EPA Region 10 Actions for Alaska Village Safe Water Program	21-Jan-09	0	0	0	0
09-P-0086	Controls over Interagency Agreement Unliquidated Obligations	26-Jan-09	0	0	0	\$6,500,000
09-P-0087	Counter Terrorism/Emergency Response Equipment and Critical Assets	27-Jan-09	0	0	0	0
09-P-0088	Measuring/Reporting Performance Results for Pollution Prevention Program	28-Jan-09	0	0	0	0
09-P-0089	Comprehensive Plan and Policies for Emerging Climate Change Role	2-Feb-09	0	0	0	0
09-P-0092	Risk Management Program for Airborne Chemical Releases	10-Feb-09	0	0	0	0
09-P-0097	Technical Network Vulnerability Assessment: EPA Headquarters	23-Feb-09	0	0	0	0
09-P-0110	Independent Groundwater Sampling at Neal's Sump Superfund Site	4-Mar-09	0	0	0	0
09-P-0119	Management of Superfund Special Accounts	18-Mar-09	0	0	0	\$6,617,700
09-P-0125	EPA Efforts to Reduce Air Emissions at U.S. Ports	23-Mar-09	0	0	0	0
09-P-0127	Response to Freedom of Information Act Requests	25-Mar-09	0	0	0	0
09-P-0128	Transition/Contractor Performance for Institutional Controls Tracking System	25-Mar-09	0	0	0	0
09-P-0129	Managing Working Capital Fund Overhead Costs	30-Mar-09	0	0	0	0
09-P-0130	EPA Region 8's Risk Management Program for Airborne Chemical Releases	30-Mar-09	0	0	0	0
09-P-0131	Results of Hotline Complaint Review for California Superfund Site	31-Mar-09	0	0	0	0
09-P-0132	OIG Comment on Office of Management and Budget Recovery Act Guidance	31-Mar-09	0	0	0	0
	TOTAL PERFORMANCE REPORTS = 29		\$0	\$0	\$0	\$13,117,700
ASSISTANCE AGREEMENT REPORTS						
09-2-0011	Costs Claimed under Grants by Washoe County, Nevada	20-Oct-08	0	\$291,494	0	0
09-2-0078	Costs Claimed under Grants by City of Rupert, Idaho	12-Jan-09	0	\$63,256	0	0
09-4-0112	ML Wastewater Management, Inc. - Issues Under EPA Grant XP97572201	9-Mar-09	\$801,118	0	0	0
	TOTAL ASSISTANCE AGREEMENT REPORTS = 3		\$801,118	\$354,750	\$0	\$0
SINGLE AUDIT REPORTS						
09-3-0001	Pleasant Point Passamaquoddy Tribal Council, FY 2006	3-Oct-08	0	0	0	0
09-3-0007	Michigan Department of Environmental Quality, FY 2006-2007	10-Oct-08	\$45,015	\$339,761	0	0
09-3-0010	Delaware, State of, FY 2007	17-Oct-08	\$59,535	0	0	0
09-3-0024	Indian Township Tribal Government, FY 2007	12-Nov-08	0	0	0	0
09-3-0025	Hydaburg Cooperative Association, FY 2006	13-Nov-08	0	0	0	0
09-3-0027	Polk County, TN, FY 2007	17-Nov-08	0	0	0	0
09-3-0028	Woods Hole Oceanographic Institution, FY 2006	18-Nov-08	0	0	0	0
09-3-0030	H John Heinz Center for Science Economics and Environment, FY 2006	19-Nov-08	0	0	0	0
09-3-0038	Water Environment Federation, FY 2006	21-Nov-08	0	0	0	0
09-3-0039	New Jersey University of Medicine and Dentistry, FY 2006	25-Nov-08	0	0	0	0
09-3-0040	Upper Allen Township, FY 2006	26-Nov-08	0	0	0	0
09-3-0041	National Fish and Wildlife Foundation, FY 2006	26-Nov-08	0	0	0	0
09-3-0042	St. Regis Mohawk Tribe, FY 2006	26-Nov-08	0	\$4,873	0	0
09-3-0050	St. Regis Mohawk Tribe, FY 2007	8-Dec-08	0	0	0	0
09-3-0051	New Jersey University of Medicine and Dentistry, FY 2007	8-Dec-08	0	0	0	0
09-3-0057	South Alabama, University of, FY 2007	15-Dec-08	0	0	0	0
09-3-0058	Puerto Rico Department of Health, FY 2005	16-Dec-08	0	0	0	0
09-3-0059	Shreveport-Bossier Community Renewal, Inc., FY 2006	16-Dec-08	0	0	0	0
09-3-0060	Swinomish Indian Tribal Community, FY 2006	16-Dec-08	0	0	0	0

Report No.	Project Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
09-3-0062	Missouri, University of, FY 2006	18-Dec-08	0	\$62,832	0	0
09-3-0063	Cayuga County Soil and Conservation District, FY 2006	18-Dec-08	0	0	0	0
09-3-0064	San Diego County Water Authority, FY 2006	19-Dec-08	0	0	0	0
09-3-0065	Santa Ysabel Band of Indians, FY 2006	19-Dec-08	0	\$96,233	0	0
09-3-0070	Fort Bidwell Indian Community Council, FY 2006	22-Dec-08	0	0	0	0
09-3-0073	Environmental Council of the States and Affiliates, FY 2006	6-Jan-09	0	0	0	0
09-3-0074	Alabama-Quassarte Tribal Town, FY 2006	6-Jan-09	0	0	0	0
09-3-0075	Lone Pine Shoshone Reservation, FY 2006	8-Jan-09	0	\$136,000	0	0
09-3-0076	Kashia Band of Pomo Indians/Stewards Point Rancheria, FY 2005	8-Jan-09	0	0	0	0
09-3-0077	La Jolla Band of Luiseno Indians, FY 2006	8-Jan-09	0	0	0	0
09-3-0081	New Mexico Institute of Mining and Technology, FY 2006	14-Jan-09	0	0	0	0
09-3-0082	Nambe, Pueblo of, FY 2006	14-Jan-09	0	0	0	0
09-3-0083	Milwaukee, Redevelopment Authority for the City of, FY 2006	15-Jan-09	0	\$9,950	0	0
09-3-0090	Pit River Tribe, FY 2006	6-Feb-09	0	0	0	0
09-3-0091	West Virginia, State of, FY 2007	6-Feb-09	0	0	0	0
09-3-0093	Seminole Nation of Oklahoma, FY 2006	11-Feb-09	0	0	0	0
09-3-0094	Aleut Community of St Paul Island, FY 2006	11-Feb-09	0	0	0	0
09-3-0095	Kasaan, Organized Village of, FY 2006	11-Feb-09	0	0	0	0
09-3-0096	Milwaukee, Redevelopment Authority for the City of, FY 2007	11-Feb-09	0	0	0	0
09-3-0098	Agdaagux Tribal Council, FY 2006	24-Feb-09	0	0	0	0
09-3-0099	Salt River Pima Maricopa Indian Community, FY 2007	24-Feb-09	0	0	0	0
09-3-0100	Assiniboine and Sioux Tribes of Fort Peck Indian Reservation, FY 2006	24-Feb-09	0	0	0	0
09-3-0101	Skokomish Indian Tribe, FY 2006	24-Feb-09	0	0	0	0
09-3-0102	Northern Cheyenne Tribe, FY 2006	24-Feb-09	0	0	0	0
09-3-0103	Hill City, City of, FY 2006	25-Feb-09	0	0	0	0
09-3-0104	Snoqualmie Tribe, FY 2006	25-Feb-09	\$20,963	0	0	0
09-3-0105	Ouzinkie Tribal Council, FY 2006	25-Feb-09	0	0	0	0
09-3-0106	Florida, State of, FY 2007	26-Feb-09	0	0	0	0
09-3-0108	Seminole Nation of Oklahoma, FY 2007	3-Mar-09	0	\$2,932	0	0
09-3-0109	Nooksack Indian Tribe, FY 2006	3-Mar-09	0	0	0	0
09-3-0111	Mescalero Apache Tribe, FY 2006	5-Mar-09	0	0	0	0
09-3-0114	North Lawrence Water Authority, FY 2004	16-Mar-09	0	0	0	0
09-3-0115	Las Vegas Valley Water District, FY 2006	16-Mar-09	\$70,129	0	0	0
09-3-0116	Picuris Pueblo, FY 2006	16-Mar-09	0	0	0	0
09-3-0117	Coyote Valley Band of Pomo Indians, FY 2005	17-Mar-09	0	0	0	0
09-3-0118	Medford, City of, FY 2005	17-Mar-09	\$8,250	0	0	0
09-3-0120	Battelle Memorial Institute, FY 2007	20-Mar-09	0	0	0	0
09-3-0121	Harris County, FY 2006	20-Mar-09	0	0	0	0
09-3-0122	Galeton, Borough of, FY 2007	20-Mar-09	0	0	0	0
09-3-0123	Augusta, City of, FY 2006	20-Mar-09	0	0	0	0
09-3-0124	Coyote Valley Band of Pomo Indians, FY 2006	23-Mar-09	0	0	0	0
09-3-0126	Alliance for the Chesapeake Bay, FY 2007	23-Mar-09	0	0	0	0
TOTAL SINGLE AUDIT REPORTS = 61			\$203,892	\$652,581	\$0	\$0
DEFENSE CONTRACT AUDIT AGENCY (DCAA) CONTRACT REPORTS						
09-1-0004	ICF Consulting Group Inc - FY 2006 Incurred Cost	7-Oct-08	\$7,269	0	0	0
09-1-0005	FEV Engine Technology - FY 12/31/2005 Incurred Cost	9-Oct-08	0	0	0	0
09-1-0006	Cadmus Group, Inc. - FY 2006 Incurred Cost	9-Oct-08	\$3,778	0	0	0
09-1-0009	Earth Tech Remediation Services - FY 2006 Incurred Cost	16-Oct-08	\$3,183	0	0	0
09-1-0034	Lockheed Martin Services Group - FY 2006 Incurred Cost	24-Nov-08	\$710,170	0	0	0
09-1-0035	Eastern Research Group FY 2006 - Incurred Cost	21-Nov-08	0	0	0	0
09-1-0036	Environmental Management Support - FYE 2006 Incurred Cost	21-Nov-08	0	0	0	0
09-1-0045	Earth Tech Remediation Services - FY 2005 Incurred Cost	2-Dec-08	\$17,944	0	0	0
09-1-0049	Northbridge Environmental Management - FY 2006 Incurred Costs	3-Dec-08	\$109,282	0	0	0
09-2-0002	InfoPro, Inc. - FY 2006 Incurred Cost	6-Oct-08	0	0	0	0
09-2-0003	ECG Industries, Inc. - FY 2001 Incurred Cost	7-Oct-08	0	0	0	0
09-2-0008	CDM Federal Programs Inc. - FY 2006 RAC Contract No. 68-W9-8210	16-Oct-08	0	0	0	0
09-2-0023	CDM Federal Programs Corp FY 2005 RAC Contract No. 68-S7-3003	10-Nov-08	\$11,853	0	0	0
09-2-0031	CH2M Hill Inc. - FY 2004 RAC 68-W6-0036	20-Nov-08	0	0	0	0
09-2-0033	URS Corporation - FY 2003 RAC Annual Close-Out 68-W9-8228	20-Nov-08	0	0	0	0
09-2-0037	CH2M Hill Inc. - FY 2005 RAC 68-W6-0025	21-Nov-08	0	0	0	0
09-2-0048	Tetra Tech, Inc./BVSPC Joint Venture - FY 2002 RAC 68-S7-3002	3-Dec-08	\$179,136	0	0	0
09-2-0067	CDM Federal Programs Inc. - FY 2006 RAC Contract No 68-S7-3003	22-Dec-08	0	0	0	0
09-2-0069	Tetra Tech NUS, Inc. - FY 2004 RAC 68-W6-0045	22-Dec-08	\$4,006	0	0	0
09-4-0012	Aqua Terra Consultants - Floor Check	22-Oct-08	0	0	0	0
09-4-0013	Syracuse Research Corporation MAAR 6	24-Oct-08	0	0	0	0
09-4-0015	Mactec Engineering and Consulting Inc - CAS 403	4-Nov-08	0	0	0	0
09-4-0016	Battelle Memorial Institute - CAS 414	4-Nov-08	0	0	0	0
09-4-0017	Battelle Memorial Institute - Accounting and Control of Labor Costs	4-Nov-08	0	0	0	0
09-4-0018	Booz Allen Hamilton CAS 409	4-Nov-08	0	0	0	0
09-4-0019	Arcadis Geraghty & Miller Inc. - Floor Check	5-Nov-08	0	0	0	0
09-4-0020	Sonoma Technology Inc. - Accounting System	5-Nov-08	0	0	0	0
09-4-0021	Syracuse Research Corporation MAAR 13	10-Nov-08	0	0	0	0
09-4-0022	Bristol Environmental and Engineering - Floor Check	10-Nov-08	0	0	0	0
09-4-0032	FEV Engine Technology Modified Financial Capability	20-Nov-08	0	0	0	0
09-4-0044	Ecology and Environment, Inc. - Home Office Disclosure Statement FY 2005	1-Dec-08	0	0	0	0

Report No.	Project Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
09-4-0046	Eastern Research Group Labor Floorcheck	2-Dec-08	0	0	0	0
09-4-0047	Eastern Research Group Financial Condition Risk Assessment	2-Dec-08	0	0	0	0
09-4-0066	TetraTech EC, Inc. - Labor Floorcheck	22-Dec-08	0	0	0	0
09-4-0068	Project Resources, Inc. - FY 2008 Paid Vouchers	22-Dec-08	0	0	0	0
09-4-0071	CH2M Hill CCI MAAR 6 Floorcheck	22-Dec-08	0	0	0	0
09-4-0072	CH2M Hill Inc. MAAR 6 Floorcheck	22-Dec-08	0	0	0	0
	TOTAL DCAA CONTRACT REPORTS = 37		\$1,046,621	\$0	\$0	\$0
FINANCIAL STATEMENT REPORTS						
09-1-0026	EPA's FY 2008 and 2007 Consolidated Financial Statements	14-Nov-08	0	0	0	\$23,876,300
09-1-0107	FY 2008 and 2007 Financial Statements, Pesticide Registration Fund	3-Mar-09	0	0	0	
	TOTAL FINANCIAL STATEMENT REPORTS = 2		\$0	\$0	\$0	\$23,876,300
	TOTAL REPORTS ISSUED = 132		\$2,051,631	\$1,007,331	\$0	\$36,994,000

Appendix 2 - Reports Issued Without Management Decisions

For Reporting Period Ending March 31, 2009

The Inspector General Act requires a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report. OMB Circular A-50 requires resolution within 6 months of a final report being issued. In this section, we report on audits with no management decision or resolution within 6 months of final report issuance. In the summaries below, we note the Agency's explanation of the reasons 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, 2009.

Office of Air and Radiation

Report No. 2004-P-00033, Effectiveness of Strategies to Reduce Ozone Precursors, September 29, 2004

Summary: Our analysis of EPA emissions data for "serious," "severe," and "extreme" ozone nonattainment areas indicated that some major metropolitan areas may not have achieved the required 3-percent annual emission reductions in ozone precursor emissions. While EPA air trends reports have emphasized that ozone levels are declining nationally and regionally, only 5 of 25 nonattainment areas designated serious to extreme had substantial downward trends. Data for some areas indicated that emissions had generally offset growth but had not substantially reduced ozone levels. States may have used inaccurate data, assumptions, or projections.

Agency Explanation: EPA recently issued a lower ozone standard and expects to finalize the associated implementation rule in fall 2009. Based on the resulting classifications of ozone attainment and non-attainment areas, EPA will revisit the effectiveness of OIG's recommendation for Milestone Compliance Demonstration guidance. Expect resolution by December 2009.

OIG Follow-up Status: Incomplete response received

Report No. 2005-P-00003, Development of the Proposed MACT for Utility Units, February 3, 2005

Summary: Evidence indicated that EPA senior management instructed EPA staff to develop a Maximum Achievable Control Technology (MACT) standard for mercury that would result in national emissions of 34 tons annually, instead of basing the standard on an unbiased determination of what the top performing coal-fired units were achieving in practice. The Clean Air Act requires that a MACT standard should, at a minimum, be based on the emissions levels achieved by the top performing 12 percent of units – not a targeted national emissions result. We believed it was likely that the standard understated the average amount of mercury emissions reductions achieved by the top performing 12 percent of power units. Thus, the MACT standard, if adopted, would not achieve the maximum emission reductions achievable. Shortly after we issued our report, EPA de-listed mercury as an air toxic subject to MACT standards and issued the Clean Air Mercury Rule that established a trading program for mercury emissions. However, 16 States filed lawsuits challenging the rule, we agreed to hold the recommendations in abeyance until the court case is settled. As of October 17, 2008, the Agency had asked the Supreme Court to review the federal appeals court ruling that struck down the cap-and-trade program. We continue to hold the recommendations in abeyance pending the Supreme Court decision.

Agency Explanation: Per the OIG, resolution is on hold, beyond Agency control. EPA is seeking a reversal of the ruling on the Clean Air Mercury Rule and is awaiting a Supreme Court decision.

OIG Follow-up Status: Resolution on hold pending outcome of Supreme Court decision

Report No. 08-P-0020, MACT Implementation Progress and Challenges, October 31, 2007

Summary: EPA's National Emissions Inventory (NEI) data indicate an overall decline in air toxic emissions concurrent with implementation of the MACT standards. EPA plans to use NEI data to assess the public health risk remaining from MACT sources of air toxics emissions, but the reliability of NEI data for site-specific emissions varies considerably. EPA has not established objectives that define an acceptable level of quality for NEI data used in the

residual risk process. EPA guidance recommends that program offices develop data quality objectives for using data in such decision-making processes. Given the uncertainties associated with NEI data, EPA could over- or underestimate public health risk from MACT sources of emissions. Overstating risk could result in EPA placing on industries regulations that are not cost beneficial. Conversely, understating risk could result in EPA not requiring regulations where needed to protect public health. The Agency has not agreed with our recommendation to establish the recommended State reporting requirements, and we consider the issue unresolved.

Agency Explanation: The Agency is working with the OIG to resolve differences concerning the recommendation, and expects resolution by the end of April 2009.

OIG Follow-up Status: Resolution under negotiation in Headquarters

Report No. 08-P-0174, Efforts to Address Indoor Risks from Radon, June 30, 2008

Summary: Nearly two decades after passage of the 1988 Indoor Radon Abatement Act, exposure to indoor radon continues to grow. Efforts to reduce exposure through mitigation or building with radon-resistant new construction have not kept pace. EPA agreed to develop a strategy for achieving the long-term goal of the Act, as well as other recommendations. For our recommendation that EPA identify limitations to meeting the goal to Congress, EPA responded that it does not believe the Act's goal is achievable, but did not agree to notify Congress that the goal is unachievable. We consider this issue open and unresolved.

Agency Explanation: On March 20, 2009, the OIG sent a memo to the Office of Air and Radiation's Acting Assistant Administrator closing recommendations 2-1 and 2-3. The OIG requested additional information/clarification or commitments from the Office of Air and Radiation for recommendations 2-2 and 2-4. OAR is currently preparing a response addressing the OIG's concerns in an effort to reach agreement on a planned completion date.

OIG Follow-up Status: Incomplete response received

Financial Analysis and Rate Negotiation Service Center

Report No. 2004-1-00099, Lockheed Martin Services Group - FYE 12/31/2002 Incurred Cost, August 23, 2004

Summary: The Defense Contract Audit Agency (DCAA) questioned indirect costs of \$3,595,399, of which \$2,128 is applicable to EPA contracts. DCAA qualified the audit results pending receipt of assist audit reports.

Agency Explanation: Resolution on hold due to other cognizant federal agency (Department of Defense).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2006-4-00120, National Academy of Sciences - FY 2006 Info Tech System, July 20, 2006

Summary: DCAA determined that the contractor's Information Technology system general internal controls are inadequate in part.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2006-4-00165, National Academy of Sciences - FY 2006 Indirect/ODC System, September 27, 2006

Summary: In DCAA's opinion, the contractor service centers cost system and related internal control policies and procedures are 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: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2006-4-00169, National Academy of Sciences - FY 2006 Labor System, September 29, 2006

Summary: In DCAA's opinion, the contractor's labor system and related internal control policies and procedures are inadequate in part. DCAA's examination noted certain significant deficiencies in the design or operation of the internal control structure.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-4-00011, National Academy of Sciences - FY 2006 Electronic Time System, October 24, 2006

Summary: DCAA determined that the contractor's Electronic Timekeeping System internal controls are inadequate in part.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Department of Defense).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00016, URS Corporation (c/o URS Greiner, Inc.) – FY 2001 Incurred Cost, November 13, 2006

Summary: DCAA questioned a total of \$188,772,784 in direct and indirect costs. Of these, \$5,585,929 are claimed direct costs, of which \$1,328,189 are from EPA Contract No. 68-W9-8225. The questioned indirect expenses impacted all eight fringe, overhead, and general and administrative rates. Of the questioned indirect costs, EPA's share is \$401,412, for a total of \$1,729,601 in questioned direct and indirect costs.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Department of Defense).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-4-00038, Weston Solutions - FY 2006 Floor Checks, January 8, 2007

Summary: DCAA expressed no opinion on the adequacy of the contractor's labor accounting system taken as a whole, as it had determined that certain labor practices required corrective action to improve the reliability of the labor accounting system. The conditions are detailed in the "Statement of Conditions and Recommendations" section of the report. This audit will be held open pending the results of the follow-up audit in 6 months.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00059, National Academy of Sciences – FY 12/31/2004 Incurred, April 5, 2007

Summary: In DCAA's opinion the claimed direct costs are acceptable; however, there are \$787,774 in questioned indirect costs, of which \$70,900 are applicable to EPA contracts.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00061, 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 unresolved \$338,864,655 in claimed direct and indirect costs for assist audits not yet received or for received assist audit reports whose impact on the contractor's cost objectives has not yet been calculated. Additionally, DCAA upwardly adjusted (\$48,224,805) in claimed base costs.

Questioned Costs - Direct	\$21,581,464
Questioned Costs - Indirect	13,127,447
Total Questioned Costs	\$ 34,708,911
EPA ADV Percentage	.02
EPA Share of Questioned Costs	\$ 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: Audit resolution on hold due to other cognizant federal agency (Department of Defense).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-4-00058, SAIC – Companies 1, 6, and 9 – FY 2006 Floorchecks, April 30, 2007

Summary: DCAA determined that certain labor practices require corrective action to improve the reliability of the contractor's labor accounting system. DCAA did not express an opinion on the adequacy of the contractor's labor accounting system taken as a whole.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00079, Science Applications Intl. Corporation – FYE 1/31/2005 I/C, July 18, 2007

Summary: DCAA submitted three audit reports under this assignment. DCAA accepted the claimed direct costs at Companies 1 and 6 (there are no claimed direct costs at Company 9), and questioned proposed indirect costs and rates at Companies 1, 6, and 9. DCAA questioned a total of \$17,224,585 of Company 9 claimed indirect expenses (\$9,938,874) and Fringe Benefits costs and rates (\$7,285,711), of which \$7,762,651 was allocated to other companies which do not perform government work. Questioned indirect costs of \$3,525,230 and \$4,552,250 were allocated to and questioned in the claimed general and administrative costs and rates of Companies 1 and 6, respectively. The questioned fringe benefit rates in Company 9 resulted in questioned fringe benefit costs of \$865,365 and \$519,089 for Companies 1 and 6, respectively. DCAA questioned an additional \$1,995,869 of Company 1 claimed indirect expenses, and an additional \$511,822 of Company 6 claimed indirect expenses. Total questioned costs in Companies 1 and 6 are \$11,969,625, of which \$119,696 are applicable to EPA contracts.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00080, 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 contract/subcontracts which do not have indirect ceiling rates and are impacted by the questioned indirect rates.

	Questioned Costs		EPA's Share
Indirect Costs	\$17,623,213	1.21%	\$213,531
Adjustment to G&G Base Costs	<u>(6,640,753)</u>	1.21%	<u>(80,462)</u>
Total Questioned Indirect Costs	\$10,982,460		\$133,069

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00090, ABT Associates Inc. – FY 2002 Incurred Cost, August 29, 2007

Summary: DCAA questioned a total of \$2,206,870 – \$5,363 of proposed direct costs and \$2,201,507 of proposed indirect costs and rates. EPA's share of the questioned indirect costs is \$123,686. None of the questioned direct costs impact an EPA contract.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (U.S. Agency for International Development).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-1-00097, National Academy of Sciences FYE 12/31/2003 Incurred Cost, September 20, 2007

Summary: In DCAA's opinion, the contractor's questioned costs increased to \$300,645, of which EPA's portion is \$27,058 (9 percent). This supplemental report supersedes the prior report in its entirety.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

IG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-4-00079, Weston Solutions, Inc. – FY 2006 Billing System, September 25, 2007

Summary: In DCAA's opinion, the contractor's billing 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 internal control structure, which in its judgment could adversely affect the contractor's ability to record, process, summarize, and report billings in a manner that is consistent with applicable government contract laws and regulations.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2007-4-00080, National Academy of Sciences – FY 2006 Budget System, September 26, 2007

Summary: In DCAA's opinion, the budget and planning system and related internal control policies and procedures are inadequate in part.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-4-0002, SAIC – Company 1 Compensation Follow-Up, October 2, 2007

Summary: In DCAA's opinion, the contractor's compensation system and related internal control policies and procedures are inadequate in part. DCAA's examination noted certain significant deficiencies in the design or operation of the internal control structure, which could adversely affect the contractor's ability to record, process, summarize, and report compensation in a manner that is consistent with applicable government contract laws and regulations.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-1-0114, Weston Solutions Inc. – FY 12/31/2004 Incurred Cost, March 24, 2008

Summary: DCAA determined that the contractor's claimed direct costs are acceptable; however, DCAA questioned \$2,082,837 in proposed indirect costs and rates. Further, DCAA applied penalties in accordance with Federal Acquisition Regulation 42.709, and identified expressly unallowable costs subject to penalty that had been allocated to various contracts specified in Federal Acquisition Regulation 42.709(b), including 11 EPA contracts. Of the questioned costs, EPA's total share of questioned costs is \$197,869, of which \$164,163 is questioned overhead costs

and \$33,706 is questioned general and administrative costs. DCAA did not include the Schedule of Allowable Costs by Cost Element by Contract or the Cumulative Allowable Costs by Contract Worksheet as requested.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-1-0129, National Academy of Science – FY 2005 Incurred Costs, April 10, 2008

Summary: In DCAA's opinion, the contractor's direct costs are acceptable; however, DCAA questioned the proposed carry forward amounts of \$377,330, of which EPA's share is 12 percent, or \$45,280.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Office of Naval Research).

OIG Follow-up Status: Resolution 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. EPA's share of the questioned Package Policy Insurance costs is \$6,126, or 0.28 percent of \$2,208,686, which were directly charged to the contract. EPA OIG used the percentage of questioned insurance pool costs to determine EPA's share of the questioned indirect costs. EPA OIG's calculations are as follows:

	Questioned Costs	EPA's Share
Corporate Residual Pool	\$13,757,945	\$38,522
Package Policy Insurance	<u>2,208,686</u>	<u>6,126</u>
Total	\$15,966,631	\$44,648

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution 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. Of these, DCAA identified \$10,393 of \$1,305,233 questioned Package Policy Insurance Costs as direct costs charged to EPA contracts. These costs are 8 percent of the total questioned costs. EPA OIG used that percent in calculating the remaining questioned direct costs and questioned proposed indirect costs to determine EPA's share of the questioned costs. EPA's share of questioned costs is as follows:

	Questioned Costs	EPA's Share
Corporate Residual Pool	\$2,704,900	\$21,639
Standard Labor Burden	767,123	6,137
Package Policy Insurance Costs	1,305,233	10,393
Corporate Direct Charges	<u>2,400,000</u>	<u>19,200</u>
Totals	\$7,177,256	\$57,369

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-1-0133, Alion Science & Tech (formerly IITRI) – FY 2004 Incurred Costs, April 28, 2008

Summary: In DCAA's opinion, the claimed direct costs are acceptable; however, the proposed indirect costs and rates are questioned. Total questioned costs are \$5,279,322, of which EPA's estimated share is 1.00 percent, or \$52,793. Since DCAA did not provide a Schedule of Allowable Costs by Cost Element by Contract, we used the 1.00 percent share of Total Contract as calculated in the Alion FY 2002 Incurred Cost audit. We note that the contractor did not provide DCAA with the necessary information to prepare the schedule.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-4-0155, Applikon Analyzers, Inc. – Proposal, May 20, 2008

Summary: In DCAA's opinion, the cost or pricing data submitted by the contractor are inadequate in part. However, the inadequacy described is considered to have limited impact on the subject proposal. The proposal was not prepared in all respects in accordance with appropriate provisions of Federal Acquisition Regulation Part 31; however, the impact of the noncompliances is considered relatively insignificant. Because the noncompliances and inadequacy are considered insignificant, DCAA considers the proposal to be an acceptable basis for negotiation of a fair and reasonable price. DCAA questioned \$2.24 million in proposed costs. In DCAA's opinion, the costs associated with the lack of technical analysis on the proposed direct labor hours, subcontract labor hours, and the amount of travel required as discussed in the qualification section of the report, are significant enough to materially impact the results of the audit. Therefore, DCAA recommends that contract price negotiations not be concluded until the results of the technical analysis are considered by the contracting officer.

Agency Explanation: According to the EPA contacting officer, most of the questions costs by DCAA were sustained; however, several (such as travel) were not. Included in the contract was a contracting officer-added clause to re-negotiate the contract for option period III-IV since the prices they estimated could be very different from actual prices, as the final price of an instrument is partially dependent on how EPA modifies the instrument. Expect resolution by April 2009.

OIG Follow-up Status: No response

Report No. 08-4-0157, EG&G – FY 2006 Accounting System Audit, May 20, 2008

Summary: In DCAA's opinion, the contractor's control environment and the overall accounting system and related internal control policies and procedures are inadequate in part. DCAA noted one significant deficiency in the design or operation of the internal control structure. The deficiency could adversely affect the organization's ability to record, process, summarize and report costs in a manner that is consistent with applicable government contract laws and regulations.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-1-0198, Metcalf & Eddy, Inc. – FY 2006 Incurred Cost, July 10, 2008

Summary: In DCAA's opinion, the contractor's direct costs, except for the qualification regarding subcontractor costs claimed, are acceptable; however, DCAA questioned the indirect cost rates. The total questioned indirect costs are \$46,627, of which EPA's share is 31 percent (or \$14,453). The assignment is on hold pending cognizant agency's response.

Agency Explanation: Resolution on hold.

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-4-0207, Metcalf & Eddy Inc. – Floorcheck, July 24, 2008

Summary: DCAA believes certain contractor labor practices require corrective action to improve the reliability of the contractor's labor accounting system.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-4-0208, MACTEC Engineering & Consulting, Inc. – CAS 409, July 24, 2008

Summary: In DCAA's opinion, the contractor was in noncompliance with Cost Accounting Standard 409 - Depreciation of Tangible Capital Assets and Federal Acquisition Regulation 31.205-11, Depreciation, during the period of January 1, 2006, through December 31, 2006. DCAA determined that the contractor does not follow its disclosed practice to estimate the residual value for its tangible capital assets. Further, the contractor's disclosed and actual practice is to not deduct the residual value in determining the depreciable costs for its real property assets. The disclosed and actual practice does not comply with Cost Accounting Standards 409 and Federal Acquisition Regulation 31.205-11.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-1-0214, CH2M Hill, Inc. – FY 2006 Incurred Cost, August 5, 2008

Summary: In DCAA's opinion, the contractor's claimed direct costs and proposed fringe rate are acceptable as proposed; however, DCAA questioned the proposed overhead and general and administrative indirect rates in the amount of \$2,315,789, of which EPA's share is \$833,683.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-4-0259, MACTEC Engineering & Consulting, Inc. - MAAR 6, September 12, 2008

Summary: Based on the procedures performed, DCAA believes certain contractor labor practices require corrective action to improve the reliability of the contractor's labor accounting system. DCAA determined that the contractor is not complying with its written policies and procedures, and blank manual timesheets are not being controlled.

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-4-0308, Tetra Tech EC, Inc. - EDP General Controls, September 30, 2008

Summary: In DCAA's opinion, the contractor's information technology system of general internal controls is inadequate in part. DCAA's examination noted significant deficiencies in the design or operation of the internal control structure, which could adversely affect the contractor's ability to record, process, summarize, and report direct and indirect costs in a manner consistent with applicable government contract laws and regulations. This audit is awaiting additional information on the resolution of the cited issues by the cognizant federal agency (Defense Contract Management Agency).

Agency Explanation: Audit resolution on hold due to other cognizant federal agency (Defense Contract Management Agency).

OIG Follow-up Status: Resolution pending receipt of additional information

Grants and Interagency Agreements Management Division**Report No. 2002-2-00008, MBI International Assistance Agreement, January 29, 2002**

Summary: MBI did not have adequate justification to support the award of sole source contracts. Also, MBI's procurement practices did not meet federal requirements. As a result, \$1,301,365, consisting of \$1,201,857 in contract costs and \$99,508 in consultant costs, is not eligible for federal reimbursement. Further, there were apparent conflicts of interest between MBI, its subsidiary (GRT), and companies created by GRT.

Agency Explanation: The Final Decision Letter has been drafted in the Grants and Interagency Agreements Management Division (GIAMD) and has been forwarded to the Office of General Counsel, which will address the

legal arguments MBI raised and revise the final decision letter to reflect those comments. Expect resolution by April 30, 2009.

OIG Follow-up Status: Report reactivated/awaiting response

Report No. 2003-S-00001, Region 7 Grants Proactive, May 29, 2002

Summary: We questioned over \$2 million because the Coordinating Committee on Automotive Repair did not account for the funds in accordance with federal rules, regulations, and terms of the agreement.

Agency Explanation: The Coordinating Committee on Automotive Repair has submitted the indirect cost rate documentation for the audit period and has provided documentation that its financial management system and time distribution system meet the requirements of EPA's assistance regulations and OMB Circular A-122. The Committee also provided reconstructed records for FYs 1996 and 1997 along with a report from an independent auditor to document that the costs charged to the project were allowable, reasonable, and allocable. GIAMD has contacted the EPA project officer for input in analyzing these re-constructed records. We anticipate completing our review of the re-constructed records by the end of February 2009 and making a determination on whether the Committee's approach is adequate support for the costs incurred. If EPA approves the Committee's process for reconstructing its FY 1996 and 1997 records, reconstruction can begin for succeeding fiscal years. If the Committee's approach cannot support the costs incurred, all of the questioned costs will have to be disallowed. Expect resolution by September 30, 2009.

OIG Follow-up Status: Incomplete response received

Report No. 2003-4-00120, Geothermal Heat Pump Consortium, Inc. - Costs Claimed, September 30, 2003

Summary: Questioned \$1,153,472 due to material financial management deficiencies. The Consortium's financial management system was inadequate for various reasons, including that the Consortium did not separately identify and accumulate costs for all direct activities, such as membership support and lobbying; account for program income generated by the activities funded by the EPA agreements; and prepare or negotiate indirect cost rates.

Agency Explanation: The Branch Chief and Association Award Official have weekly review sessions scheduled to determine the appropriate resolution to this audit. The analysis of the administrative and financial documents that Consortium submitted has been completed. There is a substantial amount of information that the Branch Chief is being briefed on. We are expecting some discussions in the next few weeks with the Office of General Counsel and possibly the OIG to present our proposal and negotiate the final determination. Resolution is expected by July 31, 2009.

OIG Follow-up Status: No response

Report No. 2005-3-00036, National Indian Health Board, FY 2002, December 30, 2004

Summary: The Board was allocating salary costs to grants based on pre-determined formulas. No support, in the form of time sheets, was located for those allocations. Also, amounts charged to various grants were not always supported by original documentation. Therefore, we questioned \$31,960 as unsupported.

Agency Explanation: The recipient provided information, but it was not enough to support the audit findings. The Board claims to have revised its policies to address the time sheet and original document issues, but the policy remains very broad and general. GIAMD continues to work with the recipient to obtain specific documentation to support the unsupported cost. The estimated date for the audit resolution is April 30, 2009.

OIG Follow-up Status: No response

Report No. 2006-3-00006, Alfred University, FY 2004, October 13, 2005

Summary: The University's current accounting system provides certified payroll information on an individual grant basis. However, the payroll distribution system does not provide a proportionate breakdown of each employee's total time between each sponsored program he/she may be working on and other non-sponsored activities. The auditor questioned costs of \$649,506, but could not determine the direct impact upon EPA's program.

Agency Explanation: The Grants Specialist met with the Award Official, who has decided to provide grantee with a 30-day deadline to prove that the recommendations have been met. The outcome will depend upon whatever develops. For example, the grantee might have to repay costs if allowability cannot be determined. The Grants Specialist is drafting correspondence for the Award Official's approval. Expect resolution by June 30, 2009.

OIG Follow-up Status: No response

Report No. 2006-4-00122, Association of State & Interstate Water Pollution Control Administrators, July 31, 2006

Summary: The Association did not comply with the financial and program management standards and the procurement standards promulgated in Title 40, Code of Federal Regulations, Subchapter B, Part 30. For example, the Association could not provide support for any of its general journal entries; included duplicate recorded costs in its accounting system; could not always trace grant draws to the accounting records; and could not always support labor charged to the EPA grants. As a result, we questioned as unsupported a total of \$1,883,590 in EPA grant payments for seven grants.

Agency Explanation: The Association submitted indirect cost rate proposals for the fiscal years covered by the OIG audit. The Office of Grants and Debarment is waiting on approval of the indirect cost proposal submitted to support the cost. Expect resolution by May 2009.

OIG Follow-up Status: No response

Report No. 2006-3-00199, Howard University, FY 2005, September 7, 2006

Summary: The University had numerous program noncompliances related to timekeeping, funds matching, sub-recipient monitoring, financial reporting, and equipment disposal.

Agency Explanation: Office of Grants and Debarment is gathering additional information regarding the corrective actions. Expect resolution by April 2009.

OIG Follow-up Status: No response

Report No. 2007-4-00026, International City County Management Association, November 28, 2006

Summary: Questioned costs due to (a) lack of competition for contracts, (b) lack of oversight for sub-awards, (c) lack of documentation on sub-grants, and (d) illegal indirect costs.

Agency Explanation: GIAMD looked very critically at the circumstances of each grant, the applicable regulations, and the documentation available to support both the OIG and Association's positions. As a result, GIAMD intends to allow much of the contract costs by deviation. GIAMD will not propose to allow much of the questioned amount for donated in-kind assistance. Office of Grants and Debarment will propose to allow all costs for subagreements that were characterized by the OIG as noncompetitive procurement, but are better characterized as subrecipient as outlined by OMB A-133 and EPA's Subaward Policy. Expect resolution by April 30, 2009.

OIG Follow-up Status: No response

Report No. 2007-4-00027, National Rural Water Association - Congressional, November 30, 2006

Summary: The Association's method of allocating indirect costs over total direct costs is contrary to the requirements of OMB Circular A-122. Currently, the Association does not exclude subcontracts or subawards from its indirect cost allocation base. As a result, the EPA grants are bearing a disproportionate amount of indirect costs. For the period from March 1, 1999, to February 29, 2004, EPA grants may have been over-allocated by \$2,021,821 in indirect costs. The exact amount of the indirect over-allocation will be determined during negotiating the indirect cost rate.

Agency Explanation: Office of Grants and Debarment has requested revised information to support the sub-contract cost. Office of Grants and Debarment staff are still working with the recipient to obtain the indirect cost proposals to support the cost cited in the audit. Expect resolution by July 2009.

OIG Follow-up Status: No response

Report No. 2007-3-00037, Alfred University - FY 2005, December 11, 2006

Summary: The University's accounting system provided certified payroll information on an individual grant basis. However, the payroll distribution system did not provide a proportionate breakdown of each employee's total time between each sponsored program he/she may be working on and other non-sponsored activities. The auditor questioned costs of \$649,506, but could not determine the direct impact upon EPA's program

Agency Explanation: The Grants Specialist met with the Award Official, who has decided to provide grantee with a 30-day deadline to prove that the recommendations have been met. The grantee might have to repay costs if

allowability can not be determined. The Grants Specialist is drafting correspondence for the Award Official's approval. Expect resolution by June 30, 2009.

OIG Follow-up Status: No response

Report No. 08-3-0248, Alliance to Save Energy – 2006, September 4, 2008

Summary: Discrepancies were noted between the dollar amounts calculated using information from outside departments compared to accounting departments' information for grant expenses. Federal financial reports were not filed in a timely manner, as required. The Alliance was not able to provide supporting documentation for selected procurement transactions. According to the single auditor the selected procurement transactions for EPA totaled \$11,345.

Agency Explanation: The recipient was informed of the request of additional information on February 18, 2009, and will respond as soon as possible. Expect resolution by April 2009.

OIG Follow-up Status: No response

Report No. 08-1-0277, National Caucus and Center on Black Aged, Inc., Incurred Cost, September 25, 2008

Summary: In our opinion, the outlays reported in the recipient's Quarterly Financial Status Reports as of September 30, 2007, present fairly, in all material respects, the allowable outlays incurred in accordance with the terms and conditions of the agreements and applicable laws and regulations. We found, however, that the recipient did not clearly disclose its allocation methods in its indirect cost proposals. The recipient also charged employee leave costs to grants disproportionately to the amount of time employees spent on each assistance agreement.

Agency Explanation: Office of Grants and Debarment requested additional documentation from the recipient regarding the findings from the audit. Office of Grants and Debarment has received the documentation and expects the final decision letter in May 2009.

OIG Follow-up Status: No response

Office of Acquisition Management

Report No. 08-4-0146, Cambridge Labor Charging Verification Review, May 1, 2008

Summary: Based on our review, nothing came to our attention that caused us to believe that the labor charges (including subcontract labor) billed under Contract EP-W-05-044 are not in compliance with federal laws, regulations, or terms and conditions of the contract. However, during our review, we noted a potential violation of Title 13, Code of Federal Regulations, Part 121, *Small Business Size Regulations*, which we believe requires immediate attention.

Agency Explanation: At the OIG's recommendation, the Headquarters Procurement Operations Division submitted a request to the Small Business Administration for a formal size/subcontractor ostensibility determination on September 26, 2008. The Small Business Administration required additional documentation to conduct the review (i.e., copy of OIG's report, copy of solicitation, copy of contractor's proposal, etc.), which the Headquarters Procurement Operations Division provided. The Division anticipates receipt of the Small Business Administration's determination in June or July 2009, and will take immediate action based on their recommendation.

OIG Follow-up Status: Incomplete response received

Office of Environmental Information - Office of Technology Operations and Planning

Report No. 08-P-0273, Management of EPA Headquarters Internet Protocol Addresses, September 23, 2008

Summary: The OIG contracted with a firm to conduct the FY 2008 audit. The firm found that processes used to assign and track Internet Protocol addresses within EPA Headquarters needs strengthening to enforce accountability. Agency personnel were not aware of the Internet Protocol addresses assigned to them. EPA Headquarters network identified 391 Internal Protocol addresses with high-risk and/or medium-risk vulnerabilities, but could not identify the offices responsible for 273 of the addresses.

Agency Explanation: The Office of Environmental Information provided a response to the final report on October 8, 2008, and no response received to date from the OIG. Corrective actions for recommendations 1 and 2 are

accomplished. Office of Environmental Information expects to complete the remaining corrective actions before August 31, 2009.

OIG Follow-up Status: No response

Office of Enforcement and Compliance Assurance

Report No. 08-P-0278, Strategic Planning in Priority Enforcement Areas, September 25, 2008

Summary: The Office of Enforcement and Compliance Assurance has instituted a process for strategic planning in its national enforcement priority areas. The FYs 2008-2010 strategic plans we reviewed – for air toxics, combined sewer overflows, and mineral processing – contain an overall goal, a problem statement, and other key elements. However, each of the plans is missing key elements to monitor progress and accomplishments and efficiently utilize Agency resources. All three strategies lack a full range of measures to monitor progress and achievements. Two strategies lack detailed exit plans. Additionally, the combined sewer overflow strategy does not address the States' key roles in attaining the strategy's overall goal. The absence of these elements hinders the Office of Enforcement and Compliance Assurance from monitoring progress and achieving desired results in a timely and efficient manner.

Agency Explanation: The Agency and OIG are working to resolve corrective action #2. The Agency and OIG were scheduled to discuss this matter on April 2, 2009, and a decision was expected after this meeting.

OIG Follow-up Status: Incomplete response received

Region 1- Regional Administrator

Report No. 2006-3-00203, Indian Township Tribal Government, FY 2002, September 18, 2006

Summary: The Tribe invested in non-governmental investments; had virtually no written investment policies and procedures; did not have an adequate accounting system to record, process, and summarize accounting transactions; did not maintain numerous bank accounts; has a chronic problem of late financial statement audits; maintains manual general ledger and bookkeeping systems decentralized from the tribal books; and did not always have support receipts.

Agency Explanation: Resolution on hold by OIG.

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2006-3-00204, Indian Township Tribal Government, FY 2003, September 18, 2006

Summary: We noted the same issues disclosed in Report No. 2006-3-00203, for FY 2002. We also found that the Tribe had numerous bank accounts with financial institutions, and approximately \$557,000 was uninsured or uncollateralized cash as of September 30, 2003.

Agency Explanation: Resolution on hold by OIG.

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 2006-3-00205, Indian Township Tribal Government, FY 2004, September 19, 2006

Summary: We noted the same issues disclosed in Report Nos. 2006-3-00203 and 2006-3-00294, for FYs 2002 and 2003, respectively. Also, approximately \$592,634 in its numerous bank accounts with financial institutions was uninsured or uncollateralized cash as of September 30, 2004. Further, the Tribe did not timely submit quarterly federal reports SF-269 and SF-272 for September 30, 2004.

Agency Explanation: Resolution on hold by OIG.

OIG Follow-up Status: Resolution pending receipt of additional information

Report No. 08-3-0250, Indian Township Tribal Government, FY 2006, September 5, 2008

Summary: The Tribe did not submit SF-269s and SF-272s within required timeframes. For the EPA Partnership Performance grants, the single auditor reported that the Tribe did not have records or formal calculations to

demonstrate that it met the matching requirements under these grants. Payroll issues were noted, as well as \$26,134 in unsupported costs. There also were 17 cross-cutting findings. The U.S. Department of Health and Human Services is the oversight agency responsible for audit resolution, but we reported these findings to EPA as they may impact EPA grant funds.

Agency Explanation: The resolution of the 2006 audit will be addressed in the 2007 audit since the infrastructure/system issues are generally the same. A second conference call to continue discussions on corrective action plan is scheduled. Participants will include the Tribe, contracted single auditor, and EPA officials. The target date for resolution is September 2009.

OIG Follow-up Status: No response

Region 2 - Office of Policy and Management

Report No. 2007-3-00139, New York, State of - FY 2006, July 26, 2007

Summary: The auditors noted that the Department of Health had 191 audit reports with findings that were required to have management decisions rendered within 6 months. Of these, only 72 had been completed in a timely manner. Further, the Department of Health did not have policies and procedures that adequately recorded, tracked, and provided for the safeguarding of program assets; have any evidence of a physical inventory of assets; and have any evidence of a policy or procedures in place to ensure proceeds from the sale or disposal of the assets could be identified and returned to the federal program if necessary. Also, the Department of Environmental Conservation did not issue a formal management decision on the audit finding contained in the single audit report for the New York Environmental Facilities Corporation within the required 6-month time frame.

Agency Explanation: Corrective action on two of three findings is complete. The grantee needs to address one minor issue on the plan for the third finding, and Region 2 awaits the grantee's written confirmation of its plan. Expect resolution by June 30, 2009.

OIG Follow-up Status: No response

Region 3 - Regional Administrator

Report No. 08-4-0156, Canaan Valley Institute, May 19, 2008

Summary: We questioned \$3,235,927 of the \$6,686,424 in reported net outlays because the recipient reported unallowable outlays for indirect, contractual, and in-kind costs. Specifically, the recipient: (1) claimed indirect costs without approved indirect rates; (2) did not credit back to the agreements all program income; (3) did not demonstrate that it performed cost analysis of contracts; (4) reported costs for services outside of the scope of one agreement; (5) did not comply with terms and conditions of contracts; and (6) used EPA funds to match another federally-funded cooperative agreement. Also, the recipient could improve its subrecipient monitoring program.

Agency Explanation: Due to the large amount of questioned costs and findings the proposed final determination letter has been delayed. Region 3 has an extension from the OIG until April 30, 2009, to submit the proposed final determination letter.

OIG Follow-up Status: No response

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 Title 40, Code of Federal Regulations, Parts 31 and 35, and OMB Circular A-87. We questioned \$3,101,827 of the \$3,736,560 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 has completed all work under the agreements and has achieved the intended results of the agreements.

Agency Explanation: We continue to review monthly requests for disbursements. We will provide recommendations for resolution of past costs by the end of April 2009.

OIG Follow-up Status: No response

Report No. 08-3-0247, North Dakota, State of - FY 2006, September 4, 2008

Summary: Program income was not properly recognized and reported by North Dakota State University. As a result, pesticide certification and enforcement revenue of \$602,551 collected during FYs 2006 and 2005 was not properly handled. Also, the University had one personnel activity confirmation that did not support the actual payroll expense charged to the federal program, resulting in about \$2,170 in salary cost overcharges. Further, the University did not have any personnel activity confirmations for 2 of 16 periods tested, and the unsupported error projects to \$491,482 for the audit period.

Agency Explanation: Region 8 plans to work with their Pesticides Program, the University of North Dakota, and the auditor to resolve these issues. Expect resolution by June 2009.

OIG Follow-up Status: No response

Report No. 08-3-0307, Oglala Sioux Tribe - FY 2004, September 30, 2008

Summary: In reviewing the report findings, we have determined that they significantly impact the costs the Tribe claimed during 2004. The single auditor findings indicate the Tribe may not be able to support costs claimed under EPA grants. As a result, we are questioning the costs claimed of \$1,158,903.

Agency Explanation: An onsite visit was planned for the week of April 6 to review the Tribe's accounting records and supporting documentation. We expect resolution by June 19, 2009.

OIG Follow-up Status: No response

**Total reports issued before reporting period for which
no management decision has been made as of March 31, 2009 = 58**

Appendix 3 - Reports with Corrective Action Not Completed

In compliance with reporting requirements in the Inspector General Act, Section 5(a)(3), “Identification of Reports Containing Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed,” and to help EPA managers gain greater awareness of outstanding commitments for action, we have 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/2009/20090430-09-N-0148.pdf>) is produced semiannually for Agency leadership and Congress based upon Agency reports on the status of action taken on OIG recommendations and OIG selective verification of that reported status.

Appendix 4 - 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
One Congress Street, Suite 1100
Boston, MA 02114-2023
Audit/Evaluation: (617) 918-1470
Investigations: (617) 918-1468

Chicago

U.S. Environmental Protection Agency
Office of Inspector General
77 West Jackson Boulevard
13th Floor (1A-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
901 N. 5th Street
Kansas City, KS 66101
Audit/Evaluation: (913) 551-7878
Investigations: (913) 551-7875

New York

U.S. Environmental Protection Agency
Office of Inspector General
290 Broadway, Room 1520
New York, NY 10007
Audit/Evaluation: (212) 637-3080
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) 814-5820

Research Triangle Park

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

San Francisco

U.S. Environmental Protection Agency
Office of Inspector General
75 Hawthorne St. (IGA-1)
7th Floor
San Francisco, CA 94105
Audit/Evaluation: (415) 947-4521
Investigations: (415) 947-4500

Seattle

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

Winchester

U.S. Environmental Protection Agency
Office of Inspector General
200 S. Jefferson Street, Room 314
P.O. Box 497
Winchester, TN 37398
Investigations: (423) 240-7735

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