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November 2004

OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Semiannual Report to Congress

April 1, 2004 - September 30, 2004

EPA Inspector General
Vision Statement

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

Mission

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

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Cover photos: *From top left:* Rule changes related to New Source Review provisions of the Clean Air Act impacted enforcement actions against coal-fired power plants (photo courtesy EPA); pretreatment efforts at the Nation's sewer systems impact clean water, such as at the Deer Island Wastewater Treatment Plant, Boston, Massachusetts (photo courtesy Massachusetts Water Resources Authority); the soil mound cover is inspected at the Escambia Wood Treating Superfund site, Pensacola, Florida (EPA Office of Inspector General photo).

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

INSPECTOR GENERAL

October 29, 2004

SUBJECT: Office of Inspector General Semiannual Report to Congress

TO: Michael O. Leavitt
Administrator

I am pleased to provide you with the Inspector General *Semiannual Report to Congress* for the 6-month period ending September 30, 2004. This report discusses the management challenges being faced by the Agency, and notes the progress that has been made regarding these challenges as well as the areas where further improvements are needed. Many of our reviews during this semiannual period provided ways the Agency can address these challenges, and they are also summarized in this report.

The Inspector General Act of 1978, as amended, requires that you forward this report within 30 days of receipt to the appropriate Congressional committees. In transmitting the report to Congress, the Act allows you to separately enclose whatever additional comments you deem necessary, and specifies certain information that should be included (see 5 USC App. 5(b)).

I will be happy to discuss, or provide additional information on, any of the items in this report.

Nikki L. Tinsley

Message to Congress

In a memorandum provided to the Administrator in April 2004, we noted that for the 10 key management challenges facing the Agency, EPA has made progress in most areas. EPA's new strategic plan is superior to its previous ones, the Agency has developed technical and scientific expertise that can forestall potential homeland security threats, and EPA continues to enhance its Information Security Program. Nonetheless, the list of management challenges remains largely unchanged from last year, and many of the challenges had existed prior to 2001.

This year, we noted a new challenge, "Superfund Evaluation and Policy Identification." A number of recent reports have identified troubling obstacles to the Agency's ability to effectively meet the Nation's current and future needs for hazardous waste cleanup. We have provided Congress with details on how, due to shortfalls in the Superfund Trust Fund balance, the percentage of Superfund appropriations coming from general revenues has increased. Also, we found that some States are unable to sufficiently address backlogs in site assessments. Further, as part of our increased focus on EPA partnering with tribes, we found that while EPA has been a Federal leader in developing tribal relationships and was in fact the first Federal agency to adopt a formal Indian policy, EPA should provide its Tribal Superfund program with clearer direction.

For the challenge "Linking Mission and Management," we noted that while EPA's strategic plan better recognizes partners and emphasizes measuring results, the plan still lacks sufficient substantive strategies or statements of when it will attain stated goals. Various reviews noted the Agency needs to more thoroughly integrate human capital management activities and measures into its core business processes, and that EPA needs to better coordinate its strategy for integrating children's environmental health efforts into the Agency as a whole.

More than half of EPA's budget is awarded to other organizations through assistance agreements, and while EPA has revised some policies and offered some training, the Agency still needs to do much to address the challenge, "EPA's Use of Assistance Agreements to Accomplish Its Mission." We noted problems in EPA's oversight of grants awarded to Alaska for the Village Safe Water Program, due largely to the perception that earmark grants awarded through the program did not require the oversight required of other grants. We also questioned unallowable outlays made by Idaho to meet cost sharing requirements at the Bunker Hill Superfund site, as well as unallowable outlays made to the Association of Metropolitan Sewerage Agencies related to contract costs.

The Office of Inspector General met many of its strategic goals during Fiscal 2004. Regarding our goal to "Contribute to Human Health and Environmental Quality," we more than doubled our goal measure related to reducing or eliminating environmental risks, and exceeded our goal for environmental improvements/actions/changes. We need to increase the number of environmental recommendations, best practices, and risks identified.

We also met many of our measures related to our goal to “Improve EPA’s Management, Accountability, and Program Operations.” We were successful in our goal measures to improve business systems and efficiency; identify recommendations, best practices, and challenges; and take criminal, civil, and administrative actions and reduce risk of loss or impediments to operational integrity. We need to make further progress on the potential dollar return as a percentage of the Office of Inspector General budget.

Details on these and other issues are in this semiannual report, including the “Scoreboard” on our own performance, which is in the Statistical Data section. We look forward to working with the Agency and Congress as our office continues to strive to be a catalyst for improving the environment.

Nikki L. Tinsley
Inspector General

Table of Contents

Highlights 1

Profile of Activities and Results 2

Agency Management Challenges 3

Significant OIG Activity 7

Air *(helping to make air safe and healthy to breathe)* 7
Water *(ensuring that drinking water is safe and sources are protected)* 10
Land *(improving waste management and cleanup – includes Superfund)* 13
Cross Media *(issues involving overlapping areas – includes homeland security)* 16
Grants *(improving EPA's use of assistance agreements)* 19
Financial Management *(improving the Agency's financial management)* 23
Business Systems *(improving the Agency's business processes and systems)* 24
Public Liaison *(addressing specific concerns of the public)* 27
Investigations *(investigating laboratory fraud, financial fraud, and computer crimes)* 32
Congressional Requests *(providing Congress with specific information)* 37
Testimony *(providing testimony before Congressional committees)* 40
Chemical Safety and Hazard Investigation Board 41
Other Activities 42

Statistical Data 45

Appendices 50

Appendix 1 - Reports Issued 50
Appendix 2 - Reports Issued Without Management Decisions (Available Upon Request)

Highlights

Rule Change for Coal-fired Power Plants Questioned

EPA's 2003 New Source Review change has seriously hampered the Agency's ability to enforce against coal-fired power plants (page 7).

Superfund Administrative Cost Concerns Noted

Several factors inhibit EPA's ability to determine, allocate, manage, and optimize rising Superfund administrative costs (page 37).

EPA Should Improve Alaska Village Program Oversight

EPA needs to improve its oversight of grants awarded to Alaska for the Village Safe Water Program to better safeguard funds (page 19).

Laboratory President Convicted at Trial

The president of a Pennsylvania laboratory was found guilty of 34 counts of mail fraud related to false and fraudulent test reports (page 32).

Challenges Remain with Human Capital Activities

EPA has been implementing human capital improvements, but it needs to better align office-level activities to the Agency's strategy (page 24).

Electronic Waste Disposal Needs Greater Attention

EPA has been addressing the growing problem of electronic waste disposal, but needs to better coordinate its efforts (page 13).

Petroleum Refinery Program Needs to Improve Tracking

EPA has implemented an integrated petroleum refinery process that addresses most noncompliance problems, but needs better tracking (page 16).

Precautions Can Be Taken at Marjol Superfund Site

Review of citizens' concerns at the Marjol Superfund site found sufficient actions were taken but further precautions may be beneficial (page 27).

Testimony Stresses Better Measuring of Grants Results

The Inspector General testified before a subcommittee that EPA needs to better measure environmental results generated by grants (page 40).

Inspector General Helping to Reduce Computer Misuse

The Inspector General Computer Crimes Directorate is helping the Agency identify and investigate instances of computer misuse (page 33).

Management Challenges Provided to Administrator

We provided the Administrator with details on 10 key management challenge that the Agency needs to address (page 3).

Outlays for Bunker Hill Cleanup Questioned

We questioned unallowable outlays of $649,362 made by Idaho to meet cost sharing requirements for Bunker Hill Superfund actions (page 22).

EPA Employee Pleads Guilty to Various Charges

An EPA Environmental Scientist pled guilty to charges of accepting a bribe, conspiracy, and making a false statement (page 34).

Effluent Guidelines Program Effectiveness Uncertain

EPA's effluent guidelines program has improved, but its impact on reducing pollutant discharges to water bodies remains uncertain (page 10).

Inspector General Develops New Two-Year Plan

The Office of Inspector General has aligned planning with budgeting and strategic goals by developing a new Two-Year Plan (page 42).

Profile of Activities and Results

Audit Operations
Office of Inspector General-Managed Reviews
(Reviews Performed by EPA, Independent Public Accountants, and State Auditors)

	April 1, 2004 to September 30, 2004 (dollars in millions)	Fiscal 2004
Questioned Costs *		
- Total	$2.5	$7.2
- Federal	$1.4	$6.1
Recommended Efficiencies *		
- Federal	$0	$0
Costs Disallowed to be Recovered		
- Federal	$1.3	$1.8
Costs Disallowed as Cost Efficiency		
- Federal	$0.02	$0.02
Reports Issued - Office of Inspector General-Managed Reviews		
- EPA Reviews Performed by Office of Inspector General	39	57
- EPA Reviews Performed by Independent Public Accountants	0	0
- EPA Reviews Performed by State Auditors	0	0
Total	39	57
Reports Resolved (Agreement by Agency officials to take satisfactory corrective actions)***	91	142

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

	April 1, 2004 to September 30, 2004 (dollars in millions)	Fiscal 2004
Questioned Costs *		
- Total	$11.4	$14.8
- Federal	$2.9	$6.3
Recommended Efficiencies *		
- Federal	$0.6	$0.6
Costs Disallowed to be Recovered		
- Federal	$0.2	$0.7
Costs Disallowed as Cost Efficiency		
- Federal	$0.3	$0.3
Reports Issued - Other Reviews		
- EPA Reviews Performed by Another Federal Agency	72	159
- Single Audit Act Reviews	109	181
Total	181	340
Agency Recoveries Recoveries from Audit Resolutions of Current and Prior Periods (cash collections or offsets to future payments) **	$3.685	$3.692

Investigative Operations

	April 1, 2004 to September 30, 2004 (dollars in millions)	Fiscal 2004
Fines and Recoveries (including civil) ****	$0.248	$1.267
Cases Opened During Period	107	166
Cases Closed During Period	71	147
Indictments/Criminal Informations/Complaints	5	13
Convictions	4	30
Civil Judgments/Settlements/Filings	1	4
Administrative Actions Against EPA Employees/Firms	40	61

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

Agency Management Challenges

Management Challenges Continue to Need Action

In an April 2004 memorandum to the Administrator, we identified 10 key management challenges. While EPA has made progress in most areas, the list remains largely unchanged from last year; many existed before 2001. We list the challenges, in the accompanying table, in tiers based on the order of importance as to how severely we believe they affect EPA's mission.

A management challenge listed last year, "EPA's Working Relationships with States," is now under "Linking Mission and Management." Also, we added a new challenge this year, "Superfund Evaluation and Policy Identification."

Tier 1

Linking Mission and Management

EPA's new strategic plan is superior to its previous ones in that it better recognizes partners, considers cross-media issues, and has increased focus on measurable results. Nonetheless, the plan still lacks sufficient substantive strategies or statements of when it will attain its stated goals. We have noticed a systematic disconnect between program goals and performance objectives that EPA developed to respond to the Government Performance and Results Act. Some of our recent reports reinforce the need for continued improvement. For example, EPA needs to:

- Provide current, accurate data on the extent of financial and environmental challenges posed by hard rock mining activities.
- Establish effective program strategies, goals, and specific performance measures and milestones to successfully promote purchasing recycled goods.
- Collect sufficient workload information and develop appropriate outcome measures to gauge the overall sufficiency of funds for enforcement activities.

Key Management Challenges

Tier 1

- Linking Mission and Management
- Agency Efforts in Support of Homeland Security
- Superfund Evaluation and Policy Identification
- Information Resources Management and Data Quality
- EPA's Use of Assistance Agreements to Accomplish Its Mission
- Challenges in Addressing Air Toxics Program

Tier 2

- Human Capital Management
- EPA's Information Systems Security
- Management of Biosolids
- Backlog of National Pollutant Discharge Elimination System Permits

We are also concerned that EPA does not have a coordinated strategy integrating children's environmental health efforts into the Agency as a whole, and that it has not fully implemented the Executive Order on Environmental Justice because it has not identified minority and low-income communities.

Agency Efforts in Support of Homeland Security

While the Department of Homeland Security has the lead in preparing for, preventing, and responding to potential attacks against the United States, many other agencies, including EPA, play a vital role as well. In carrying out its mission, EPA has developed chemical, biological, and radiological technical and scientific expertise that enhances the ability of the Department of Homeland Security to address potential threats. EPA's efforts are commendable, but our reviews found that EPA needs to:

- Develop better processes for identifying, obtaining, maintaining, and tracking response equipment necessary for Nationally Significant Incidents.
- Take action to assess the adequacy and quality of the water vulnerability assessments submitted by water utilities.
- Formulate a strategy to measure security enhancements in the Nation's water infrastructure.
- Better define its homeland security role in protecting the air from terrorist threats.

Superfund Evaluation and Policy Identification

Over the last several years, a number of reports and reviews of the Superfund program (from our office and others) have identified troubling obstacles to the Agency's ability to effectively meet the Nation's current and future needs for hazardous waste cleanup. The Superfund program cannot meet all of its current reported needs for cleanup, and due to falling Trust Fund balances the percent of Superfund appropriations coming from general revenues has increased dramatically. Thus, we have added this challenge to our list this year. EPA has processes for evaluating and reforming Superfund, but has failed to identify or communicate the current fiscal and other program management challenges that are causing great pressure and attention on the program. Early identification, communication, and evaluation of these types of issues can better prepare the Agency to manage the Superfund program and keep it directed on efficient and effective achievement of cleanups.

Recognizing that tribes are important partners in implementing the Agency's strategy for managing the Superfund program, EPA has undertaken three major initiatives related to tribes since 1998. However, a recent Office of Inspector General evaluation found key actions remain incomplete.

Information Resources Management and Data Quality

EPA faces several challenges with the data it uses to make decisions and monitor progress against environmental goals. While EPA has developed several core registry systems, it has yet to implement a 1998, agreed-upon Office of Inspector General recommendation to formally revise its policies and procedures supporting an Agency standards program. While EPA has developed and formally approved 12 data standards, some of them will not be fully implemented until Fiscal 2006. Another area needing attention is data reliability. Prior audits indicate systems used by EPA's Enforcement, Superfund, and Water programs have inconsistent, incomplete, and obsolete data. A third area of concern was highlighted in our reviews and investigations, which continue to show an upward trend in the number of environmental laboratories that are providing

misleading and fraudulent data to States for monitoring the Nation's public water supplies.

EPA's Use of Assistance Agreements to Accomplish Its Mission

More than half of EPA's Fiscal 2003 budget, approximately $4.4 billion, was awarded to organizations through assistance agreements. We have reviewed how EPA has administered these agreements, and found that despite several policies being revised and training being offered, systemic weaknesses continue. For example:

- While EPA had developed corrective actions to improve oversight controls over the agreements, oversight continues to be a weakness.
- Project officers did not perform all necessary steps when conducting pre-award reviews of assistance agreement applications.
- EPA staff did not always follow EPA policies regarding reviews they were to perform prior to and after the agreements were awarded, and were not held accountable.

Challenges in Addressing Air Toxics Program

Toxic air pollution is one of the more significant health and environmental problems in the United States, causing cancer and neurological, immunological, and other serious health problems. EPA's goal is to reduce air toxics emissions and the associated risks to public health and the environment substantially by 2010. Since 1990, EPA has been implementing a two-phased program to reduce emissions of 188 air toxics from 174 categories of major stationary sources. Phase 1 is a technology-based approach to reducing air toxics, while Phase 2 assesses the level of health risk remaining after the Phase 1 controls are in place. No Phase 2 standards have been issued to date. Significant data gaps and uncertainties exist in estimating human exposure to air toxics and the risks associated with differing levels of air toxic exposures for the 188 air toxics.

Tier 2

Human Capital Management

EPA continues to make progress in its human capital efforts and has indicated a strong commitment to reaching its goals in accordance with the President's Management Agenda initiative on Human Capital Management. The Agency remains committed to ensuring its workforce is high performing, results oriented, and aligned with its strategic goals and objectives. However, management acknowledges several areas in which it needs to improve, including the need to:

- Hold senior leaders accountable for implementing human capital strategies;
- Develop and carry out good succession plans.
- Effectively communicate planned strategies across the Agency.
- Establish a comprehensive accountability plan and consistently implement it.

EPA's Information Systems Security

EPA continues to enhance its Information Security Program. However, the dynamic nature of security requires continued emphasis and vigilance, and additional actions are needed to protect EPA's information and systems. For example, EPA needs to:

- Establish a systematic monitoring and evaluation program to allow management to place reliance on collected data and make informed investment decisions.
- Implement security and configuration improvements to further ensure that EPA's information resources are adequately secured.
- Improve security practices within EPA's network to prevent misusing Government resources and detect potential attacks by network users.
- Develop and ensure implementation of a training program.
- Establish a process to ensure that the Agency's information security plan is practiced throughout the life cycle of information technology systems.
- Establish a policy and management framework to support developing up-to-date contingency plans for Agency information systems and testing critical components under circumstances relative to actual deployment.

Management of Biosolids

About 6 million tons of sewage sludge (biosolids) are produced annually by sewage treatment plants in the United States. With inadequate treatment, these biosolids may contain a wide variety of chemicals and pathogens. Although a number of biosolids activities are underway or planned, the Agency has taken the position that biosolids management is a low-risk activity. We believe that EPA does not know whether current regulations, when adhered to, are protecting public health. Further, we do not believe EPA has an overall understanding of the magnitude and quality of biosolids production and disposal practices, or knows whether the enforcement and compliance resources committed to managing biosolids are adequate to ensure regulations are adhered to.

Backlog of National Pollutant Discharge Elimination System Permits

The Clean Water Act specifies that National Pollutant Discharge Elimination System (NPDES) permits expire in 5 years. If the permitting authority receives a renewal application but does not reissue the permit prior to expiration, the permit may be "administratively continued." These "backlogged" permits are a major concern because conditions may have changed since the original permit was issued, and new restrictions on permits may now apply. EPA has recognized the backlog of NPDES permits is a nationwide problem and has developed a corrective action plan. EPA's goal has been to reduce the backlog of NPDES permits to 10 percent for major and minor permits by the end of calendar year 2004. Although the Agency no longer expects to meet its 2004 goal, it now says that it is on track for correction by Fiscal 2005.

Significant OIG Activity

Air

Helping to make air safe and healthy to breathe.

New Source Review Rule Change Found to Harm Enforcement Efforts Against Coal-fired Utilities

EPA's October 2003 New Source Review (NSR) rule change has seriously hampered the Agency's ability to enforce against coal-fired power plants.

The NSR provisions of the Clean Air Act require that power plants take steps to install and operate lower-emitting pollution control technologies when modifications significantly increase emissions. However, under the NSR rule change, utilities would be able to undertake projects up to 20 percent of the cost of the power-generating unit without being subject to NSR requirements. In addition to the rule change eliciting Congressional interest, 14 States, several cities, and environmental groups sued EPA over the 2003 NSR rule change, resulting in a December 2003 court stay.

Prior to the proposed rule change, EPA had made substantial progress in reducing emissions. NSR settlements with 7 companies as of the date of our report were projected to reduce annual sulfur dioxide emissions by more than 440,000 tons and nitrogen oxide by more than 210,000 tons. EPA also has a number of cases against coal-fired utilities that, if fully pursued, could result in additional emissions reductions of more than 1,750,000 tons of sulfur dioxide and 625,000 tons of nitrogen oxide. Both pollutants are associated with adverse health effects, including respiratory disease and infection.

Emissions from power generation (photo courtesy U.S. Department of the Interior)

EPA Office of Air and Radiation officials said the 20-percent threshold should not impact ongoing litigation and development of new cases with utilities. According to former key enforcement officials, the NSR rule change impacted EPA's ongoing litigation, out-of-court settlements, and new enforcement actions because it weakened their leverage. In January 2004, the (then) Assistant Administrator for Enforcement and Compliance Assurance said that establishing a routine maintenance threshold of 20 percent will "eviscerate the air enforcement program,"particularly as it impacts coal-fired utilities.

EPA recently announced plans to reconsider the 2003 NSR rule change, and we recommended that EPA address the rule's impact on enforcement in an open, public, and transparent manner, including the environmental impact of a definition of routine

maintenance at any threshold above the threshold desired by key enforcement officials of the Office of Enforcement and Compliance Assurance of 0.75 percent. We also recommended that EPA continue to vigorously pursue ongoing enforcement cases, as well as identify additional coal-fired utilities in violation of the NSR requirements prior to the October 2003 rule change.

EPA generally disagreed with our report. Many of their comments centered around other ways the Agency proposes to achieve emissions reductions, which were outside the scope of our review. Agency officials believe the Clean Air Interstate Rule, under development, will be more cost-effective than NSR enforcement at reducing emissions. Our review focused on the NSR rule change, and although we noted some of the Agency's concerns in our report, we maintain that the October 2003 rule change hampered EPA's NSR enforcement efforts against coal-fired utilities for both ongoing cases and the development of new cases.

(Report No. 2004-P-00034, New Source Review Rule Change Harms EPA's Ability to Enforce Against Coal-fired Electric Utilities, September 30, 2004)

Sufficient Progress to Reduce Ozone Not Made in Some Major Metropolitan Areas

Despite national and regional progress, some major metropolitan areas have not achieved the ozone precursor emission reductions required by the 1990 Clean Air Act Amendments.

Ground level ozone, the most pervasive urban air pollutant, has been linked to respiratory illnesses and other serious health problems, such as asthma and heart disease. Over 100 million Americans still live in areas that do not meet EPA's ozone standards.

Photographs of Houston from a 68th floor monitoring location under clear (left) and smoggy conditions (EPA photo)

Ozone precursor emissions are those emissions – such as nitrogen oxide and volatile organic compounds – that cause ozone and thus need to be reduced.

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, and some may have even experienced increases. While EPA air trends have emphasized that ozone levels are declining nationally and regionally, only 5 of the 25 nonattainment areas designated serious to extreme have experienced substantial downward trends in ozone levels. Recent downward trends may have been related to changes in weather patterns.

EPA and States encountered numerous difficulties in developing and implementing adequate emission control plans for reducing precursor emissions. Also, States may have used inaccurate data, assumptions, and projections of emissions growth, resulting in fewer reductions planned than required. Additionally, a 1997 EPA policy allowing nonattainment areas to claim emission reductions from selected sources outside of the nonattainment areas can potentially result in double-counting, and does not ensure that reductions do more than just offset growth.

Further, EPA and States have not adequately measured whether the Nation’s worst ozone nonattainment areas have made acceptable progress, and there is no reliable method to determine whether precursor emissions reduction efforts have been successful.

The Agency generally agreed with our findings; although EPA officials expressed concern about implementing some of our recommendations, the Agency agreed to explore implementing some of them.

(Report No. 2004-P-00033, EPA and States Not Making Sufficient Progress in Reducing Ozone Precursor Emissions in Some Major Metropolitan Areas, September 29, 2004)

Water

Ensuring that drinking water is safe and sources are protected.

Effectiveness of Effluent Guidelines in Reducing Pollutant Discharges Uncertain

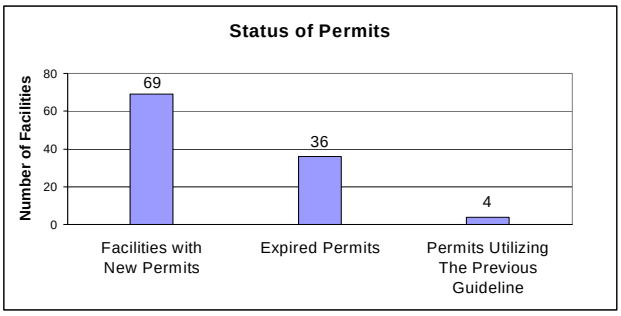
EPA's effluent guidelines program underwent a number of changes in the 1990s. While improvements occurred, the impact of those guidelines in reducing pollutant discharges and meeting Clean Water Act goals remains uncertain.

Effluent guidelines are national technology regulations that limit the discharge of pollutants to surface waters and publicly owned treatment works. Guidelines are to be taken into account as part of the renewal of National Pollutant Discharge Elimination System permits for individual facilities' discharge permits.

Effluent from pulp mills being discharged into the Columbia River in Longview, Washington (EPA photo)

In the 1990s, EPA began covering a broader range of pollutants, over a broader array of industries, and issued guidelines at a faster pace. However, the impact of these guidelines remains uncertain because data were not available for us to determine whether newer effluent guidelines reduced pollutant discharges. In general, EPA has not systematically collected data to evaluate the program as a whole.

Our review of permits issued for three types of industry (pesticide manufacturing; pharmaceutical manufacturing; and pulp, paper, and paperboard) indicated a lag in issuing new permits. A high proportion of the expired permits had been expired for years. These delays slowed the implementation and thus the benefits (and costs) of effluent guidelines. However, once permits were reissued, permit limits were derived from effluent guidelines to a very large extent.



Status of permits as of December 31, 2002, for three industries: pesticide manufacturing; pharmaceutical manufacturing; and pulp, paper, and paperboard.

Additionally, EPA does not measure the effectiveness of either the effluent guidelines program or individual effluent guidelines. Although our work showed significant pollutant discharge reductions in a few facilities, EPA has not systematically collected data to evaluate this program as a whole.

We recommended that EPA collect and monitor effluent guidelines data more

systematically, and develop performance measures based on that data. EPA agreed with our recommendations and is planning to perform retrospective analyses and develop better performance measures.

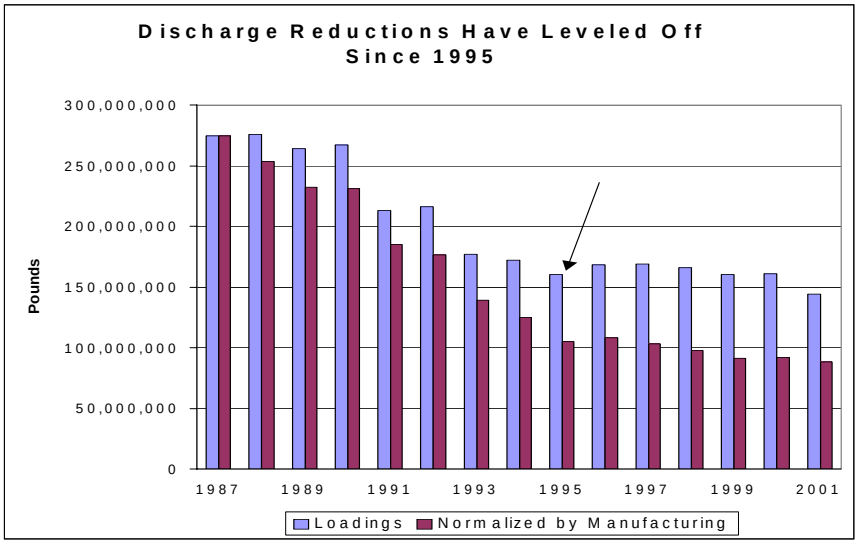
(Report No. 2004-P-00025, Effectiveness of Effluent Guidelines Program for Reducing Pollutant Discharges Uncertain, August 24, 2004)

EPA Needs to Reinforce Pretreatment Efforts

The reductions in industrial waste discharges to the Nation's sewer systems that characterized the early years of the pretreatment program have not continued. As a result, progress in meeting Congress' goal of eliminating toxic discharges that can harm water quality has stalled.

EPA's pretreatment program strives to prevent industrial pollutants from interfering with wastewater treatment facility operations or passing through facilities untreated into water bodies. It is a core part of the Clean Water Act's National Pollutant Discharge Elimination System program.

Because the pretreatment program had been successful in reducing discharges of harmful pollutants, EPA has directed fewer resources and attention to the program in recent years. Little progress has occurred since the middle of the 1990s (see chart); further progress is needed to safeguard public health.



For publicly owned treatment work facilities reviewed, those with approved pretreatment programs experienced about half the pass-through/interference events as those without approved programs. Therefore, EPA should attempt to increase the number of facilities with approved pretreatment programs.

Without more visible leadership from EPA, improved programmatic information, and adoption of results-based performance measures, EPA's pretreatment program is at risk

of losing its early gains. EPA has delayed finalizing guides and regulations intended to update the program.

We recommended that EPA determine meaningful performance measures and provide the necessary resources and guidance for the pretreatment program. A long-term strategy also needs to be developed. EPA indicated it has undertaken various steps to assess and improve its efforts in this area.

(Report No. 2004-P-00030, EPA Needs to Reinforce Its National Pretreatment Program, September 28, 2004)

Source Water Assessments Providing Benefits, But Many Not Meeting Deadlines

The Source Water Assessment Program was established under the Safe Drinking Water Act Amendments of 1996 to have States analyze existing and potential threats to public drinking water quality. The intent was to prevent contaminants from getting into a drinking water system in the first place, which is often easier and more cost effective than removing contaminants through treatment after the fact.

Only 40 percent of the States had fully completed their community water system assessments and made them publicly available by September 2003. Still, this was significant progress over prior years, and the States we visited were working hard toward completing the task. Limited human resources, data issues, and public participation were among the reasons for delay.

States With Completed Assessments as of September 30, 2003

Percent Completion	No. of States*
100	20
90 to 99	8
50 to 89	12
10 to 49	2
1 to 9	3
none	5

* Washington, DC, was at 100 percent and Puerto Rico at 17 percent.

The assessments appear to have been beneficial. While State approaches differ, the consensus is that the information obtained and the quality of the assessments can lead to protection efforts and be incorporated into other quality management programs. Nonetheless, some stakeholders raised concerns about the usefulness of some assessments.

EPA agreed with our recommendations to continue developing measures that better capture the program's results and develop guidance to help States address uncertainties regarding what assessment information should be released to the public in light of recent security concerns.

(Report No. 2004-P-00019, States Making Progress on Source Water Assessments, But Effectiveness Still to Be Determined, May 27, 2004)

Land

Improving waste management and cleanup – includes Superfund.

Disposal of Electronic Waste Needs More National Direction

EPA has made various efforts to address the growing problem of electronic waste (E-waste), but the potential benefits of its efforts have not been fully realized because the projects have not been implemented or coordinated in support of a clear set of goals and measures. In the absence of clear national guidelines, States are actively pursuing their own mechanisms to regulate E-waste.

Use of electronic devices (computers, cellular phones, televisions, etc.) has increased dramatically in recent years, and there are significant environmental concerns related to disposing of such waste due to the hazardous chemicals they often contain. The electronic waste stream is growing about three times faster than the municipal waste stream. Two million tons of E-waste are estimated to be generated each year that may contain high volumes of heavy metals, including an estimated 300 million pounds of lead. Due to current laws, household E-waste can be disposed of in municipal landfills (although California and Massachusetts ban such practices).

Computer equipment at a landfill (photo courtesy Snohomish County, Washington)

In response to the growing challenge of E-waste, EPA's Office of Solid Waste has implemented or participated in many recent projects, at a cost of over $2 million, that have enhanced the general awareness of the issues and included a wide range of stakeholders. However, that Office has not defined its E-waste goals or measures.
Further, projects were developed without apparent coordination at the national level, and in the absence of a defined national E-waste policy, States have adopted varying approaches to address this issue.

Also, existing data collected on E-waste, including volumes of E-waste from household sources, are inadequate to support program management decisions. Consequently, any program efforts are forced to rely upon speculative data.

We recommended that EPA define the E-waste program, goals, performance measures, and data requirements; ensure that future E-waste projects are linked to those goals and are coordinated; and take action to collect needed data. EPA generally agreed with our

recommendations and indicated it will enhance its communications and coordination with stakeholders, and take steps to improve how it addresses E-waste.

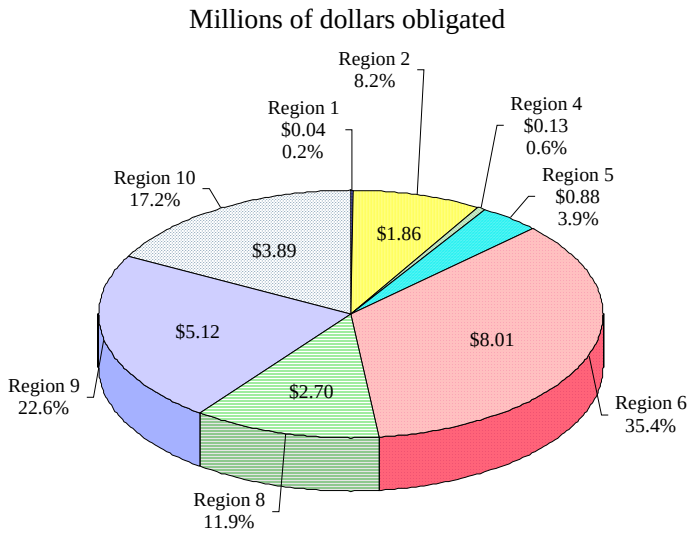
(Report No. 2004-P-00028, Multiple Actions Taken to Address Electronic Waste, But EPA Needs to Provide Clear National Direction, September 1, 2004)

EPA Should Provide Tribal Superfund Program with Clearer Direction

EPA has been a Federal leader in efforts to develop tribal relationships, and was the first Federal agency to adopt a formal Indian policy. EPA has undertaken various efforts since 1998 to enhance the tribal role in the Superfund program. However, EPA has still not fully developed its tribal strategy in relation to Superfund, even though the strategy was initiated in 2002, and the Agency needs to do so.

EPA's tribal strategy lacks a detailed implementation plan, including milestones, priorities, targets, and measures. Also, strategy completion has been hindered because of little emphasis from top leadership, a lack of clear goals, missing critical information, and EPA regions not being included in its development. In the absence of clear direction, EPA regions have developed divergent regional tribal programs. This makes it difficult for EPA to consult with and protect tribal interests when making Superfund decisions.

Superfund Obligations by Region (Fiscal 1996-2003)



Note: In Region 3, there are no Federally recognized tribes. In Region 7, no tribal Superfund dollars were obligated.

During case studies of six tribes, we noted that the stronger and more effective relationships demonstrate four important characteristics: frequent and timely communication, appropriate information sharing, addressing issues raised by tribes, and operating in a government-to-government relationship. Ultimately, successful partnerships create more effective decisions.

The Agency concurred with our recommendations and agreed to take actions to finalize its tribal strategy, with tribal and regional input, during Fiscal 2005.

(Report No. 2004-P-00035, Tribal Superfund Program Needs Clear Direction and Actions to Improve Effectiveness, September 30, 2004)

Some States Unable to Address Assessment Needs and Face Future Superfund Challenges

Some States need to address backlogs in site assessments in order to improve their hazardous waste site cleanup programs, and need to increase their capacity to take cleanup actions at additional sites in the future.

Although the five States reviewed (Kansas, Michigan, New Jersey, Pennsylvania, and Washington) have all implemented processes for identifying, assessing, investigating, and prioritizing hazardous waste sites similar to EPA's remedial process for the Superfund program, three of the States had a total backlog of 423 sites awaiting site assessment, and one of the remaining two States also appeared to have a backlog (see table).

State Assessment Backlogs

State	Sites Pending Assessment
Kansas	92
New Jersey	52
Washington	279
Total	**423**

Pennsylvania officials indicated a backlog of approximately 90 sites, but we could not confirm that backlog. Michigan did not have a backlog.

Until these backlogs are eliminated, the States cannot assure that sites posing the greatest threat to human health and the environment are being addressed promptly, and the backlogs may limit the States' capacity to address future hazardous waste sites, including those on the National Priorities List.

The five States reviewed have developed cleanup standards based on risk and sound science that should be sufficiently protective of the environment, but their processes are more streamlined than the baseline approach established by EPA. Therefore, if EPA wants the States to assume a larger role in addressing National Priorities List sites, it should consider giving the States greater flexibility regarding the approaches to use.

Over the next 10 years, States will be assuming additional operation and maintenance responsibilities for long-term response actions at many sites, but many States may not have the resources needed to undertake these future obligations because of declining budgets.

We made various recommendations to help EPA in enhancing the role of States as co-implementers of the Superfund program, and EPA and the States reviewed generally agreed with our recommendations.

(Report No. 2004-P-00027, Some States Cannot Address Assessment Needs and Face Limitations in Meeting Future Superfund Cleanup Requirements, September 1, 2004)

Additional Superfund Reviews

- Idaho outlays of $649,362 for the Bunker Hill cleanup were questioned (see page 22).
- Additional measures were suggested for the Marjol Battery site (see page 27).
- The remedy at the Stauffer site was found to be adequate, but opportunities for improvement exist (see page 28).
- Appropriate actions were generally taken at the Escambia site (see page 28).
- Radioactive contamination was properly discounted at the Industrial Excess Landfill site (see page 29).
- In response to a request, we provided Congress with details on Superfund administrative costs (see page 37).

Cross-Media

Issues involving overlapping areas – includes homeland security.

Petroleum Refinery Compliance Program Progressing But Needs Tracking Improvement

EPA's national refinery compliance program, which began in 1996, has led to a succession of useful tools and strategies as the program evolved and as EPA identified specific compliance problems. EPA and the U.S. Department of Justice have developed and implemented an integrated refinery compliance strategy that addresses the most important noncompliance problems.

EPA's integrated strategy includes compliance assistance, inspections, enforcement, and compliance incentives. As of March 2004, the program resulted in refineries agreeing to invest more than $1.9 billion in pollution control technologies, pay civil penalties of $36.8 million, and implement supplemental environmental projects valued at approximately $25 million. EPA projects annual reductions of approximately 44,000 tons of nitrogen oxide and 95,000 tons of sulfur dioxide.

A petroleum refinery (EPA photo)

However, EPA's performance measurement and reporting approach for the national petroleum refinery program has not provided useful and reliable information necessary to effectively implement, manage, evaluate, and continuously improve program results. EPA has not established and communicated clear goals, systematically monitored refinery program progress, reported actual outcomes, or tracked progress toward achievement of consent decree goals.

EPA learned several important lessons that it should apply to its refinery program and perhaps other enforcement and compliance assurance programs. These include focusing on specific enforcement concerns and encouraging EPA regional and headquarters staff to effectively work together.

We made various recommendations to EPA regarding improving goals and improving consent decree implementation and tracking. EPA agreed with the majority of the recommendations, but expressed concern that our report did not reflect the amount of progress made.

(Report No. 2004-P-00021, EPA Needs to Improve Tracking of National Petroleum Refinery Compliance Program Progress and Impacts, June 22, 2004)

EPA Efforts to Protect Children Need Better Coordination

We noted several impediments to the effectiveness of EPA's Office of Children's Health Protection (OCHP), including the lack of a permanent director since April 2002 and no overall, coordinated strategy.

OCHP, established in 1997, is responsible for integrating the Agency's efforts on behalf of children, who are more vulnerable than the general population to environmental health hazards such as air pollution to lead-based paints.

While OCHP is responsible for implementing EPA's national agenda to protect children, it was not directly responsible for many of the agenda's goals. Further, no overall, coordinated strategy integrated children's environmental health efforts into the Agency as a whole, and no active communication process existed between the various EPA offices. We recognize that OCHP, along with several EPA program and regional offices, have taken actions in several areas related to children's health protection, but there needs to be a focus on results rather than activity.

EPA designated OCHP as its lead for the Agency's Aging Initiative following announcement of the initiative in October 2002. Although children and the elderly are both considered susceptible populations, we question whether the same office should be responsible for both, particularly if sufficient additional resources are not provided.

In response to our recommendations, the Agency agreed to improve its coordination, communication, and planning efforts; and expedite appointing a permanent director for OCHP. Regarding our recommendation to reconsider what office should be responsible for the Aging Initiative, EPA decided to continue having OCHP be responsible.

(Report No. 2004-P-00016, The Effectiveness of the Office of Children's Health Protection Cannot Yet Be Determined Quantitatively, May 17, 2004)

Key Actions Taken by EPA Related to Children's Health

1995: EPA Issued Agency-Wide Policy *to ensure that EPA consistently and explicitly evaluates environmental health risks of infants and children.*

1996: EPA Announced National Agenda *to Protect Children's Health from Environmental Threats, in which the Agency called for a national commitment to ensure a healthy future for children.*

1997: Office of Children's Health Protection Established *by EPA to formalize and integrate the Agency's efforts on behalf of children.*

1998: Children's Health Research Program Initiated by the Office of Research and Development *to conduct research and provide methods to reduce uncertainties in EPA risk assessments for children.*

EPA Should Use Vulnerability Assessments to Update Water Security Research Action Plan

As a result of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002, EPA awarded $51 million in grants to help large utilities prepare vulnerability assessments required under the Act. Pursuant to the Act, the Office of Water's Water Security Division stores and limits access to the vulnerability assessments.

Despite the breadth, expense, and proximity of the water utility vulnerability assessments, EPA's Office of Research and Development had not requested access from the Office of Water to these assessments, which may contain valuable information that would allow EPA's research staff to update and make the Agency's Water Security Research Action Plan more effective against potential terrorist attacks.

We recommended that EPA's Office of Research and Development seek, and the Office of Water grant, access to the water utilities' vulnerability assessments, and EPA agreed.

(Report No. 2004-P-00023, EPA's Final Water Security Research and Technical Support Action Plan May Be Strengthened Through Access to Vulnerability Assessments, July 1, 2004)

Grants

Improving EPA's use of assistance agreements.

EPA Needs to Improve Oversight of Alaska Village Safe Water Program

EPA Region 10 needs to improve its oversight of grants awarded to Alaska for the Village Safe Water Program to better safeguard those funds and ensure effective results.

Over the past 10 years, EPA awarded Alaska 15 grants, totaling $232 million, to construct water and sewer systems in rural Alaskan villages. In January 2004, the Alaska State Legislature Division of Legislative Audit issued a report raising a number of issues regarding Alaska's management of the program, which led to our audit.

The lack of oversight was due to the Region's perception that the earmark grants awarded for the program were pass-through funds and did not require the oversight and management required of other grants. Consequently, pre- and post-award reviews often were not conducted.

Examples of Problems Noted

- The Region was unaware of deficiencies in the State of Alaska's administration of the program as outlined in the Alaska Legislative Auditor's report.
- The State had an excessive cash balance of more than $13 million as of June 30, 2002.
- The Region could not determine whether environmental and health objectives were met.
- The Region was unable to determine whether grants met legislative objectives to improve health and sanitation conditions and provide training, technical assistance, and educational programs.
- The Region was unable to determine whether funds were properly allocated between facilities construction and training for operations and maintenance.

Further, the Region did not have an overall plan for implementing, conducting, and monitoring the grants for the program, and did not develop goals, objectives, and measures for the grants, as required. The Region did not place the needed emphasis on the program as it evolved from a small pilot project to a large, continuing program. Examples of the problems noted are in the table.

We recommended that the Region 10 Administrator improve Village Safe Water Program oversight through increased emphasis on grants management and establishing goals, objectives, and outcomes. The Region agreed with our recommendations and has taken or is planning various corrective actions.

(Report No. 2004-P-00029, EPA Oversight for the Alaska Village Safe Water Program Needs Improvement, September 21, 2004)

Environmental Measures Needed for Clean Water State Revolving Fund

EPA needs to increase its leadership role in measuring the environmental benefits of the Clean Water State Revolving Fund.

As of 2003, the Clean Water State Revolving Fund, designed to provide loans to States for achieving clean water, had $47 billion available for projects. While EPA for years has had good indicators to measure the Fund's financial performance, the Agency has not developed environmental outcome measures. While EPA has been working on developing environmental measures since 1998, EPA and the States have not established a uniform set of specific measures. Further, EPA has not developed a comprehensive plan for measuring the results of the Fund (see box).

Questions EPA Needs to Answer to Measure Clean Water State Revolving Fund Results

What measures are feasible?

How will the measurements be conducted and funded?

Who will be responsible for collecting, organizing, and analyzing data?

How will the environmental results be integrated into planning and budgeting decisions by EPA, the States, and Congress?

As a result, EPA did not know the actual environmental impact of the Clean Water State Revolving Fund, and could not compare the impact of individual water quality programs and make informed resource allocations. We recommended that EPA develop a plan for establishing measures. EPA agreed and has a goal of developing a suite of proposed indicators by February 2005.

(Report No. 2004-P-00022, Stronger Leadership Needed to Develop Environmental Measures for Clean Water State Revolving Fund, June 23, 2004)

Missouri Clean Water State Revolving Fund Weaknesses Noted

We issued an unqualified opinion on the financial statements of the State of Missouri Department of Natural Resources Clean Water State Revolving Fund for the year ended June 30, 2003, but issued a qualified opinion on the compliance requirements.

Missouri did not maintain an adequate accounting system to account for State Revolving Fund activities in accordance with the Clean Water Act, resulting in the qualified compliance opinion. The system only accounted for the fund's cash balance, and did not account for loans receivable, construction loan funds, revenue bonds, bond reserves, EPA capitalization grants, and other accounts. Total loans receivable alone for the period (excluding reserve loans) were approximately $773 million.

We also noted several matters involving the internal control structure and its operations that we considered material weaknesses. Subsidiary systems did not provide adequate controls of the Clean Water State Revolving Fund balance and activities, and management was unable to access payroll/time charges in regional offices.

Missouri recognized the accounting system shortcomings and was in the process of developing and implementing a new system. Missouri also agreed to correct the other deficiencies noted.

(Report No. 2004-1-00057, Auditor's Report for the State of Missouri Department of Natural Resources Clean Water State Revolving Fund for the Year Ended June 30, 2003, issued May 6, 2004)

Sewerage Association's Cooperative Agreement Outlays of $681,413 Questioned

We questioned unallowable outlays of $681,413 made to the Association of Metropolitan Sewerage Agencies related to contract costs because the Association did not perform an adequate analysis to support that the price paid was reasonable. The questioned outlays were part of $1,159,516 in outlays provided under three cooperative agreements.

The Association had received the funding for various projects involving municipal wastewater treatment facilities, such as developing a vulnerability assessment tool to help the facilities develop safeguards against potential terrorist attacks.

We questioned the $681,413 in contract costs because the Association's price analysis for a sole source contract was not sufficient to show that the contract costs paid were reasonable and allowable in accordance with Federal regulations. We also reported on several instances of noncompliance with Federal regulations.

We concluded that the Association needs to:

- Prepare written accounting procedures for direct and indirect costs.
- Ensure cash draws are limited to actual and immediate need.
- Perform acceptable cost or pricing analyses for all procurement actions.
- Incorporate required contract provisions into all contracts.
- Submit required financial and performance reports.
- Submit an acceptable indirect cost proposal.

We recommended that EPA recover the $681,413 and ensure needed corrective actions are implemented.

(Report No. 2004-4-00038, Association of Metropolitan Sewerage Agencies - Costs Claimed Under EPA Cooperative Agreements X827577-01, X828302-01, and X829595-01, August 31, 2004)

Idaho Outlays of $649,362 for Bunker Hill Cleanup Questioned

We questioned unallowable outlays of $649,362 that Idaho made to meet cost sharing requirements for Federally funded remedial actions at the Bunker Hill Superfund site.

Of the $7,936,605 in outlays made by Idaho under Cooperative Agreement No. V990431-01, we questioned $649,362, as shown in the following table:

Questioned Costs	
Unallowable costs incurred before award of cooperative agreement	$366,649
Unsupported payroll costs	116,490
Unallowable pre-remedial action costs	29,933
Duplicate costs	82,933
Excess costs reported for institutional controls program	53,357
Total	**$649,362**

In our opinion, because of the questioned costs, the outlays reported on the State's *Financial Status Report* do not present fairly, in all material respects, the allowable outlays incurred in accordance with the criteria set forth in the agreement.

We recommended that EPA disallow the questioned costs. A response from EPA Region 10 is pending.

(Report No. 2004-4-00016, Idaho Superfund Credit Claim Under EPA Support Agency Cooperative Agreement No. V990431-01, June 2, 2004)

Testimony on Grants

On July 20, 2004, Inspector General Nikki Tinsley testified before a Congressional committee on the need for EPA to improve how it measures environmental results from the Clean Water State Revolving Fund as well as other grant programs (see page 40).

Financial Management

Improving the Agency's financial management.

EPA Earns Unqualified Opinion for Pesticides Fund Financial Statements

EPA received an unqualified opinion on its Fiscal 2003 Pesticides Reregistration and Expedited Processing Fund (known as the FIFRA Fund) financial statements. Fees collected to expedite pesticide reregistration are deposited in the FIFRA fund.

In our opinion, the financial statements presented fairly the assets, liabilities, net position, budgetary resources, financing activities, and reconciliation of net costs to budgetary obligations of the FIFRA fund, as of and for the years ended September 30, 2003 and 2002, in accordance with generally accepted accounting principles.

While we found no material weaknesses, we identified three reportable conditions:

- We could not assess the adequacy of the automated internal control structure as it related to automated input, processing, and output controls for the Integrated Financial Management System.

- We could not attest to the accuracy of performance measure outcomes disclosed in the report, including whether certain accomplishments reported were final and completed.

- The timing of issuing performance measure reports and the fiscal year did not coincide, since information from a report generated several months into Fiscal 2004 was used.

We recommended that EPA better explain the reported progress in reducing the number of required reregistration studies.

(Report No. 2004-1-00071, Fiscal 2003 and 2002 Financial Statements for the Pesticides Reregistration and Expedited Processing Fund, June 3, 2004)

Business Systems

Improving the Agency's business processes and systems.

EPA Implementing Human Capital Activities But Challenges Remain

EPA offices are prepared to implement strategic human capital management activities to ensure that employees possess appropriate skills needed for mission accomplishment, but an alignment of the office-level activities to the Agency's *Strategy for Human Capital* is lacking.

Based on a January 2004 survey, senior executives are familiar with and committed to the Agency's human capital initiatives. However, we noted widespread variation among headquarters and regional offices in implementing the strategy (see table). Such activities have not been fully integrated into the Agency's core business processes.

EPA offices have widespread variation in activities related to:

- Human capital strategic plan development and implementation.
- Workforce planning, analysis, and deployment.
- Communicating human capital activities.
- Use of human capital performance measures.
- Establishment of human capital accountability systems.

Ultimately, if EPA does not fulfill its human capital vision of having "people with the right skills, in the right place, at the right time to protect human health and the environment," its ability to achieve its environmental mission may be impeded.

We made various recommendations for EPA to more thoroughly integrate human capital management activities and measures into its core business processes. The Agency concurred with our recommendations and noted several planned and ongoing activities, although in some cases EPA needs to better describe the commitment to implementing corrective actions.

(Report No. 2004-P-00024, EPA Prepared to Implement Strategic Human Capital Management Activities But Challenges Remain, September 20, 2004)

Change Controls for Integrated Financial Management System Need Strengthening

We found a general breakdown in security controls for EPA's Integrated Financial Management System (IFMS) that could undermine the integrity of the system's software libraries and financial system data.

Duties were not adequately segregated, individuals used an inappropriate ID or continued to have system access after no longer needing it, and contractor personnel were granted access to IFMS without successful security screening. The potential for unauthorized or

unapproved changes places the Agency at risk that the availability, confidentiality, and integrity of EPA's accounting and financial reporting functions could be compromised.

Also, EPA was not properly managing the contract for IFMS software modifications, involving the Change Management System. Further, EPA continued to use contract practices that gave the appearance of an improper personal service relationship with the contractor, as evidenced by orally instructing the contractor to improperly modify $222 million in IFMS transactions.

We made various recommendations for improving IFMS controls, including performing a risk assessment of IFMS's off-the-shelf general support system used to develop, test, and maintain IFMS libraries and software. The Chief Financial Officer generally concurred with our recommendations. However, the Office of Administration and Resources Management did not concur with our recommendations concerning contractor background investigations, asserting that such screenings are not required for Federal contractors. Management stated its existing, interim procedures were sufficient to guide offices that chose to initiate background investigations. We continue to maintain that contractor personnel with access need the same level of screening as Agency personnel.

(Report No. 2004-P-00026, EPA Needs to Improve Change Controls for Integrated Financial Management System, August 24, 2004)

Federal Information Security Management Act Review Notes Positive Actions

In our report on the Fiscal 2004 status of EPA's computer security program, as required under the Federal Information Security Management Act, we found that in general the Agency has taken positive actions to secure information resources.

EPA has developed, implemented, and is managing an adequate, Agency-wide plan of action and milestones process. The Agency's Certification and Accreditation process generally complies with Federal guidance. The Agency's incident detection and handling practices comply with documented policies and procedures. EPA continues to make improvements in providing and recording training to ensure security training and awareness of all employees, including contractors.

The Agency has implemented adequate physical security controls to protect its network firewalls, although we noted logical and configuration control weaknesses that need to be improved. We also noted a general breakdown of security controls that could undermine the integrity of one system – EPA's Integrated Financial Management System, including inadequate segregation of duties and use of inappropriate identifications.

(Report No. 2004-S-00007, Federal Information Security Management Act: Fiscal Year 2004 Status of EPA's Computer Security Program, September 30, 2004)

Federal Financial Management Improvement Act Issue Noted

The Federal Financial Management Improvement Act requires us to report on the Agency's progress to remediate significant weaknesses in financial management systems. Last year, we stated that EPA had taken all necessary actions to correct security weaknesses in the 1999 Remediation Plan, except for a significant weakness related to establishing a background check program for non-Federal personnel, including contractors, by 2002.

Although the Chief Financial Officer issued policy to require the appropriate personnel screening for non-Federal employees accessing EPA's Integrated Financial Management System, recent audit work disclosed that the policy was not being fully implemented in that some contractor personnel had inappropriate access. Formalizing Agency-wide procedures would bring needed structure and consistency to the personnel screening process.

Public Liaison

Addressing specific concerns of the public.

Additional Measures Needed at Marjol Battery Site

Our review of citizens' concerns regarding the Marjol Battery Site in northeastern Pennsylvania found that sufficient actions were taken at the site, although additional precautionary measures can be taken.

Approximately 5,500 people live within a one-mile radius of the site, located in the Borough of Throop. Polyaromatic hydrocarbons (PAHs), polychlorinated biphenyls (PCBs), and lead were identified in the surface soil in the site's former operational areas. Prior to the site being a battery processing facility, coal mining had been done at the site.

Aerial view of Marjol Battery Site (EPA photo)

A technical expert – a mining engineer – with whom we contracted concluded that excavating all material in the northern portion of the site and placing the remaining soil under permanent solidified caps will be sufficiently protective. Also, although residents were concerned about the potential for mine fires in two underground coal seams, the expert indicated that the chance of these two seams having been mined extensively is low. Therefore, the risk of mine fires in these two seams would be low.

Nonetheless, the expert said that potential surface strains should be calculated at the site and compared to allowable strains for the permanent solidified cap. Also, a consultant for the Borough said the objection to the proposed final remedy will be removed if 8 to 12 additional boreholes are drilled through the 2 seams of concern, to ensure the seams have not been mined extensively and thus are not susceptible to mine fires. Consequently, to allay residents' concerns, we recommend that the drilling be done, even though no specific evidence indicates it is necessary.

EPA agreed with our recommendation to calculate the surface strains, and in its final response (subsequent to report publication) agreed to work with the Borough to evaluate the potential for mine fires at the site.

(Report No. 2004-P-00017, Ombudsman Review of the Marjol Battery Site, Throop, Pennsylvania, May 18, 2004)

Remedy at Stauffer Superfund Site Adequate, But Opportunities for Improvement Exist

We found that EPA followed required procedures for remedy selection, oversight, and community involvement at the Stauffer Chemical Company Superfund Site in Tarpon Springs, Florida. However, additional action can be taken regarding findings in recent studies as well as to enhance community relations.

Phosphorus sludge has been removed from above-ground storage tanks at the site, and EPA has signed a record of decision addressing heavy metals and radiation in soil and waste. However, citizens are concerned, among other things, that old and forming sinkholes could cause structures at the site to subside and thus create pollutant pathways.

An independent expert – a hydrogeologist – retained by the OIG concluded that EPA's selected remedy is feasible. However, the remedy is only feasible if the design incorporates cautionary recommendations included in the June 2003 draft report on the geophysical study, and if additional groundwater characteristics information and analysis are addressed.

We concluded that EPA Region 4 appropriately monitored site activity, early geophysical and groundwater studies, and site contaminant identification. However, EPA should have ensured that the subsequent 2001-2003 studies were completed earlier to better address the potential for sinkholes.

Although Region 4 generally met community involvement requirements, a segment of the community was dissatisfied with EPA efforts. More site visits and increased efforts to obtain community input may have improved community relations.

EPA agreed with our recommendations to implement cautionary recommendations from previous geological studies, study groundwater further, and revise its community relations plan for the Stauffer site.

(Report No. 2004-P-00018, Review of Actions at Stauffer Chemical Company Superfund Site, Tarpon Springs, Florida, June 3, 2004)

Appropriate Actions Generally Taken at Escambia Site

We found that EPA cleanup planning, relocation of residents, and community relations were appropriately conducted at the Escambia Wood Treating Superfund site, Pensacola, Florida, although we noted several potential areas for improvement.

The Escambia site in EPA Region 4 is an abandoned wood preserving facility where various health risks were identified and about 358 households were permanently relocated. This case was transferred to us by the Agency's former National Ombudsman.

Overall, EPA took appropriate cleanup planning actions at the site. EPA plans to conduct a remedial action to address the contaminated soil mound and contaminated ground water. We noted that it could be beneficial for the Region to include State, local government, and community concerns in future sampling and analysis plans.

The U.S. Army Corps of Engineers effectively implemented a very large and complex residential relocation project at the site. To enhance future relocations, Region 4 should continue to require the Corps to provide appraisal details to property owners, more closely monitor housing inspections, and allow residents a period of time to report replacement housing problems and obtain reimbursement for legitimate repairs.

A condemned property near the Escambia site (EPA OIG photo)

EPA made efforts to inform the community and keep them abreast of activities at the site. To bolster community relations in the future, EPA should consider reviewing and updating the site Community Involvement Plan, conducting more public meetings, and providing compact disks and courtesy copies of future administrative record documents to community representatives.

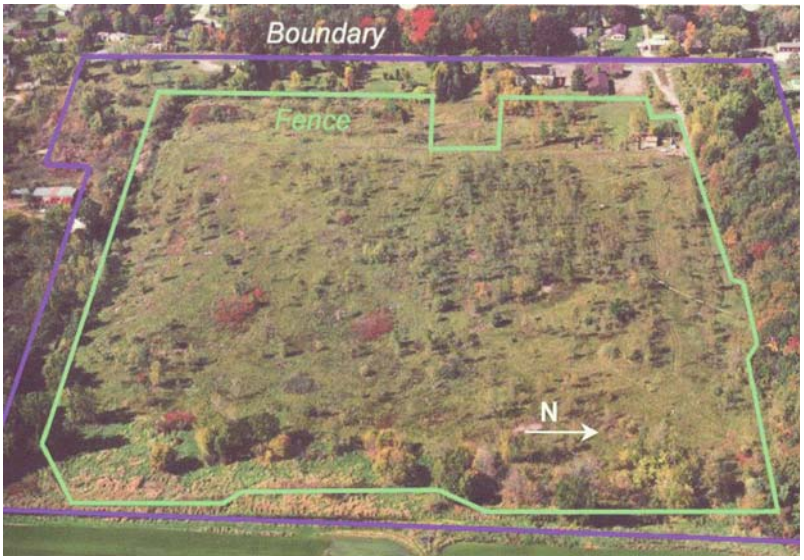
(Report No. 2004-P-00032, Review of Actions at Escambia Treating Company Site, Pensacola, Florida, September 30, 2004)

Radioactive Contamination Properly Discounted at Industrial Excess Landfill Site

We found that EPA Region 5 had properly discounted radioactive contamination at the Industrial Excess Landfill Superfund site, Uniontown, Ohio. We also concluded that the remedy selected was in accordance with policy.

Citizens brought these issues to our attention because of concerns that the landfill was contaminated with radioactive waste, and that the method used to clean up the ground water was inappropriate. That method, monitored natural attenuation, involves a variety of processes that act without human intervention to reduce the contaminants in soil or ground water.

In the early 1990s, the landfill was tested for radioactivity; in 1995, EPA's Science Advisory Board concluded it was unlikely that radioactive contamination was present at the site. A radiation expert, retained by the Office of Inspector General, determined that 2000 and 2001 ground water tests met the requirements for drinking water, with respect to radioactivity, and that the water did not pose a danger to public health.



A 1997 photo of Industrial Excess Landfill, with site fence and boundary noted and arrow indicating direction north (photo from September 2003 "Remedial Design Plan for the IEL Site," prepared by Sharp and Associates, Inc., for Responding Companies)

We also found that EPA policy was followed in selecting monitored natural attenuation, that the landfill site was appropriately sampled and analyzed, and that contaminants from the site that could pose a danger to public health were being appropriately monitored.

(Report No. 2004-P-00031, Review of Actions at Industrial Excess Landfill Superfund Site, Uniontown, Ohio, September 29, 2004)

Additional Public Liaison Reviews Conducted

The Office of Inspector General successfully resolved 16 complaint cases submitted to our Ombudsman office, including Hotline complaints.

Most complaints dealt with issues surrounding Agency cleanup decisions or matters of public health. For example, the Ombudsman review of the accidental emission of high levels of vanadium pentoxide by the Wyoming Refinery, Newcastle, Wyoming, concluded that the release may have contributed to the higher incidents of pulmonary disease, such as asthma, lung fibrosis, and reactive airway disease. At least 22 citizens reported adverse health effects. The Ombudsman office referred the matter to the Agency for Toxic Substances and Disease Registry, recommending that a public health assessment be performed to determine the extent of exposure to the residents of Newcastle. The Agency for Toxic Substances and Disease Registry subsequently announced its intention to conduct an assessment.

The Ombudsman review of the hazardous waste incinerator of Von Roll/Waste Technologies Industries, East Liverpool, Ohio, addressed public and Congressional concerns surrounding potential toxic emissions and failure to meet permit conditions. We found that the Agency took a number of steps to address the public's concerns about

facility emissions, which included conducting five rounds of ambient air sampling and two rounds of soil testing in the East Liverpool community. Our Field Engineer independently observed successful stack test burns.

Hotline Activity

The following EPA Office of Inspector General Hotline activity regarding complaints of fraud, waste, and abuse in EPA programs and operations occurred during the past semiannual and annual periods:

	Semiannual Period (April 1 - September 30, 2004)	Annual Period (October 1, 2003 - September 30, 2004)
Inquiries and Complaints Received During Period	**436**	**927**
Issues Handled by EPA Office of Inspector General		
Complaints Open Beginning of Period	**6**	**6**
Inquiries Addressed	**103**	**182**
Complaints Opened	**13**	**37**
Complaints Closed	**2**	**26**
Complaints Open End of Period	**17**	**17**
Issues Referred to Others		
EPA Program Offices	**76**	**209**
EPA Criminal Investigation Div.	**3**	**6**
Other Federal Agencies	**55**	**97**
State/Local Agencies	**175**	**385**

Note: The Office of Inspector General's Hotline receives many informational "inquiries," not all of which relate to EPA activities, as well as "complaints" about specific EPA programs and operations. Inquiries are typically addressed without the need for a formal assessment, whereas complaints are evaluated and may result in detailed reviews.

Investigations

Investigating laboratory fraud, financial fraud, and computer crimes.

Laboratory Fraud

Laboratory President Convicted at Trial

On August 17, 2004, following a jury trial, Edward V. Kellogg, President, owner, and Quality Control Officer of Johnson Laboratories, Inc., New Cumberland, Pennsylvania, was found guilty of 34 counts of mail fraud. The charges were filed in May 2003 in U.S. District Court, Eastern District of Pennsylvania.

The indictment charged that from May 1998 through July 2000, Kellogg engaged in a scheme to defraud customers of Johnson Laboratories by creating and billing customers for false and fraudulent environmental test reports. Sentencing is scheduled for January 2005.

Johnson Laboratories provided analytical testing of environmental samples, including water and wastewater, to municipalities and commercial clients required to comply with environmental laws and regulations administered by EPA. Among the tests prepared by Johnson Laboratories were tests for volatile organic compounds (VOCs), a contaminant whose presence in water is regulated by EPA. VOCs can contaminate drinking water, and VOCs in wastewater may be discharged into rivers and streams, which affect fish, wildlife, and potential drinking water sources.

As the head of the business, Kellogg allowed environmental test results to be fraudulently prepared and billed to customers. These test reports were false in that they purported to contain the results of VOC testing performed in accordance with EPA method 601/602, when in fact Kellogg knew this testing method had not been used. Instead, VOC testing had been performed under the lesser inclusive EPA method 624. Johnson Laboratories did not have the necessary laboratory instruments to perform the tests in accordance with EPA method 601/602 as reported to customers.

This investigation was conducted jointly with the EPA Criminal Investigation Division, the Pennsylvania Attorney General's Office, and the Pennsylvania Department of Environmental Protection.

Petroleum Refiner and Affiliates Debarred

On June 14, 2004, Jet-Pep, Inc., an Alabama refiner of conventional gasoline, was debarred for 3 years as a result of its August 2003 criminal conviction for making a false statement to the EPA in violation of the Clean Air Act. In addition, Robert G. Norris, President, and four affiliates of Jet-Pep were also debarred for 3 years each. The affiliates were Tee's Enterprises; Myrt, Inc.; Morris Oil Co., Inc.; and R D S Properties, Inc.

Jet-Pep had been required to submit an annual report to EPA enumerating the gallons of gasoline produced or transferred, along with compliance results of the blendstocks. Among the compliance calculation results that had to be reported was the average T90 value of the gasoline (the distillation characteristic reflecting the measure at which 90 percent of gasoline evaporates). From 1995 through 1998, Jet-Pep failed to perform the T90 analysis on any of its blendstocks, and a Jet-Pep employee falsified all of the requisite distillation results. As a result, from 1996 through 1999, Jet-Pep submitted its annual report to the EPA knowing each report contained a false T90 value.

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

Computer Crimes

Office of Inspector General Partners with Agency to Reduce Computer Misuse

The Office of Inspector General Computer Crimes Directorate (CCD) has partnered with the Office of Environmental Information in an effort to identify and investigate instances of computer misuse by EPA network users.

During the last 6 months, the CCD assessed incidents involving unauthorized software installed on EPA computers and networks, access to inappropriate Internet sites by employees and contractors, and other actions that exposed the Agency to such dangers as viruses, worms, trojans, and theft of information. The CCD has also been involved in supporting the Agency as it deals with misuse issues, including support in developing incident response training and awareness programs for Agency personnel.

As a result of this partnership and Office of Inspector General investigative efforts, during this semiannual period, one EPA employee was suspended for 5 days for downloading pornographic material onto his Agency-issued computer, and a contract security guard was removed from an EPA facility for using the Agency's computers to access pornographic web sites.

CCD Penetration Laboratory Supports 18 Tests of EPA Systems

The CCD Penetration Laboratory, with the assistance of the Office of Environmental Information, provides support to EPA in its efforts to secure Agency computer networks by performing penetration testing of the systems to identify and reduce system weaknesses and vulnerabilities.

During this semiannual reporting period, the Agency performed 18 penetration tests using specialized equipment and software tools available in the CCD Laboratory. The systems tested included several major environmental and business databases, the Agency payroll system, and other network assets that contain information significant to the

mission of EPA. The availability of the CCD laboratory and its tools facilitates more frequent system testing at a significantly lower cost to the government.

The Penetration Laboratory is currently taking steps to improve its services by becoming certified and accredited by best practice industry standards within the next year. Also, the CCD is taking an active role in making the Agency aware of the need for testing of systems by attending security conferences and demonstrating the abilities of the Penetration Laboratory.

Financial Fraud

EPA Employee Pleads Guilty to Accepting Bribe, Conspiracy, and Making False Statement

On September 29, 2004, Lawrence M. Fradkin, a GS-15 Environmental Scientist with the EPA Office of Research and Development, pled guilty in U.S. District Court, Southern District of Ohio, to charges of accepting a bribe, conspiracy, and making a false statement.

Fradkin was employed as the Federal Technology Transfer Coordinator at the Andrew W. Breidenbach Environmental Research Center in Cincinnati, Ohio. In that position, Fradkin oversaw multi-year, multi-million dollar cooperative agreements between EPA and outside parties that promoted the transfer of environmental technology to the marketplace.

In late 2000, Fradkin urged a contractor to create a job under a contract he oversaw, encouraged an acquaintance to apply for that job, and then encouraged the contractor to hire the acquaintance for the $60,000-a-year job. Fradkin then demanded that the acquaintance pay Fradkin $10,000 per year for his assistance in getting and keeping the job. Fradkin also required the acquaintance to teach college courses and perform personal work for him at his home for no compensation.

Further, in the Spring of 2002, Fradkin recommended that another contractor whose contract he oversaw enter into a $160,000 subcontract with a university to develop a database that identified EPA scientists and their areas of expertise for use by the private sector. Fradkin recommended that the university hire a particular person to develop the database. Fradkin then conspired with that person to defraud the government of $60,000, of which Fradkin took $30,000. Fradkin had developed the database on EPA time and sent it to the person, who then submitted it to the university. Fradkin's fraud caused the EPA to pay the subcontractor for a database that Fradkin developed on government time.

Because of his government position, Fradkin was required to annually submit an official form to EPA disclosing any outside employment. Fradkin admitted that from 1994 through 2002 he filed nine false disclosure forms in which he failed to disclose his outside employment. The total amount of income from the unreported outside employment was $147,284.

A sentencing date has not been set.

Sentencing Occurs in Counterfeit Pesticide Trafficking Case

On April 21, 2004, William C. Murphy was sentenced to 41 months in prison, followed by 3 years probation, and ordered to pay $45,305 in restitution and a $1,525 special assessment. The sentencing occurred in U.S. District Court, Northern District of Alabama. Murphy, President of Sierra Chemical Corporation, Anniston, Alabama, used counterfeit EPA certified labels and sold counterfeit insecticides. In May 2003, Murphy was charged with 32 counts of trafficking in counterfeit goods or services and distribution/sale of adulterated or misbranded pesticides.

This investigation was conducted jointly with the EPA Criminal Investigation Division, the Federal Bureau of Investigation, and the Alabama Department of Agriculture and Industry.

EPA Toxicologist Sentenced for Naturalization Fraud

On August 6, 2004, a former Toxicologist with the EPA Office of Research and Development was convicted of naturalization fraud and sentenced to 3 years probation and ordered to pay a $500 fine and a $100 special assessment. As a result of this conviction, the former employee's naturalization certificate was revoked and declared void, and the former employee was ordered to surrender to the Department of Homeland Security for deportation.

This sentencing, in U.S. District Court, Eastern District of Virginia, is the result of a guilty plea to a charge of Naturalization Fraud. On May 14, 2004, the employee resigned from EPA.

This investigation determined that the former employee provided falsified documentation to gain United States citizenship. The employee also provided falsified documents to obtain employment with the EPA in 1998, indicating the employee was a U.S. citizen. The employee did not become a naturalized U.S. citizen until 2002.

This investigation was conducted jointly with the Federal Bureau of Investigation and the Bureau of Immigration and Customs Enforcement, due to National Security/ Homeland Security implications.

Contractor Sentenced for Making False Statements to EPA

On April 15, 2004, Dorothy Hayes, President and owner of Coastal Lead and Asbestos Abatement, Inc. (Coastal), Baltimore, Maryland, was convicted and sentenced to 2 years probation and ordered to pay a $2,500 fine and a $100 special assessment. On the same

day, Coastal was also convicted and sentenced to 2 years probation and ordered to pay a $30,000 fine and a $400 special assessment.

These sentencings, in U.S. District Court, District of Columbia, are the result of criminal charges and guilty pleas unsealed on April 15, 2004, in connection with false statements made to EPA. On May 27, 2004, Hayes and Coastal were suspended by EPA from participating in government procurement activities.

In June 2001, Hayes submitted a notarized affidavit to EPA at a hearing concerning the proposed debarment of Coastal. In the affidavit, Hayes certified that she was not involved in, nor knew anything about, the purchase of fraudulent asbestos abatement training certificates. The affidavit also stated that her husband, Edwin Hayes, never worked for Coastal and had no interest, financial or otherwise, in the company. Based on these assertions, EPA determined that the debarment of Coastal was not warranted.

However, Hayes knew at the time she submitted the affidavit that she had received fraudulent training certificates and used those certificates to obtain licenses from the States of Virginia and Maryland. Hayes also knew her husband conducted work on behalf of Coastal and was a signatory of Coastal's bank accounts. From June 2001 until December 2003, Coastal received approximately $43,000 from asbestos-related jobs on which they would not have been able to work had they been debarred by the EPA.

This investigation was conducted with the Federal Bureau of Investigation and the EPA Criminal Investigation Division.

Congressional Requests

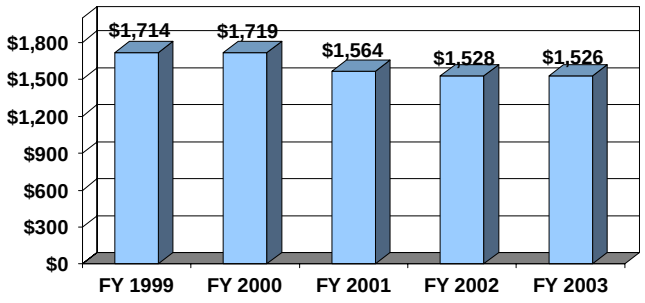
Providing Congress with specific information.

Limitations Found in EPA's Management of Superfund Administrative Costs

Several factors inhibit EPA's ability to effectively determine, allocate, manage, and optimize rising Superfund administrative costs, according to information we gathered as part of a Congressional request.

Although money remains and continues to be appropriated for Superfund, the Superfund appropriations have declined. The Superfund Trust Fund has diminished so significantly that, in 2004, all Superfund appropriations were financed from general tax revenues.

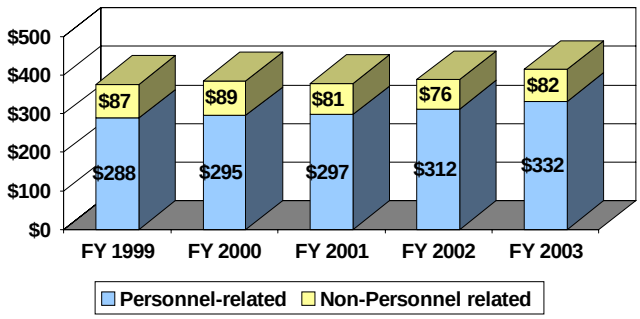
Superfund Overall Expenditures Declining (constant 2003 dollars - in millions)



From 1999 to 2003, EPA's inflation-adjusted Superfund expenditures declined about 11 percent, from $1.71 billion in 1999 to $1.52 billion in 2003. During those 5 years, Superfund expenditures averaged 75 percent programmatic and 25 percent administrative. While administrative expenditures increased $36.8 million, programmatic expenditures decreased about $174 million. Personnel-related expenditures accounted for nearly 80 percent of the total known administrative expenditures. According to EPA, personnel costs are rising and funded to some degree by program resources.

We found that there is no central, integrated source of information on Superfund administrative costs, which hampers the Agency's ability to effectively manage them. EPA's Environmental and Management Appropriation absorbed an additional $370 million in Superfund support costs over the 5 years, but these additional Superfund costs are not identified as such in EPA's accounting system. Also, Superfund administrative requirements are largely based on prior years' allocations and a 1987 Agency workload model. Further, functional management inhibits EPA's ability

Superfund Administrative Expenditures Increasing (constant 2003 dollars - in millions)



to manage effectively and optimize resources. For example, EPA's Office of Solid Waste and Emergency Response only has full authority over about half of the Agency's Superfund full-time or equivalent staff, due to functional administration of Superfund dollars.

Despite efforts to make improvements, inefficiencies remain regarding contracting and special accounts, as well as recovering unspent obligations. Further, EPA does not follow up to see if corrective actions solved problems. Consequently, repeated recommendations on how to improve the program's efficiency and effectiveness may not achieve desired results.

(Report No. 2004-S-00004, OIG Response to Congressional Request on Superfund Administrative Costs, September 15, 2004)

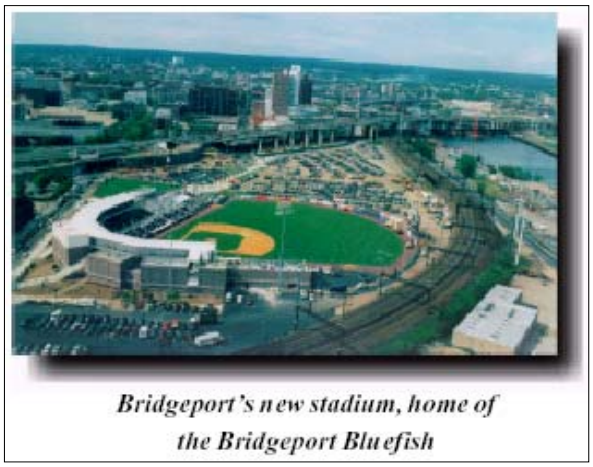
Brownfields Program Making Progress, But Further Actions Needed

Although stakeholders were generally pleased with the brownfields program, designed to restore and revitalize contaminated properties, EPA experienced a number of problems. Estimates on the number of brownfields sites range from 450,000 up to one million.

During Fiscal 2003, for which EPA announced over $73 million in competitive assessment, revolving loan fund, and brownfields cleanup grants, we noted concerns regarding untimely and unclear guidance, the need for additional guidance, a time-consuming grant application review process, and limitations in providing applicant feedback.

EPA's Office of Brownfields Cleanup and Redevelopment responded to and addressed these concerns in Fiscal 2003 and made progress. However, we noted that the applicant and site eligibility determination process lacked documentation. We also noted required

Jenkins Valve Site



Bridgeport's new stadium, home of the Bridgeport Bluefish

In Bridgeport, Connecticut, a brownfields pilot grant helped leverage the resources needed to redevelop the former Jenkins Valve Site (left) into a baseball stadium (right) (EPA photos)

property ownership deadlines being questionably extended, problems regarding travel funds, and EPA not implementing environmental performance measures for brownfields.

While EPA received a significant increase in funding compared with Fiscal 2002, Congressional authorizations to carry out the brownfields program fell short of EPA's requests in both Fiscal 2003 and 2004, as shown in the table. Further, the workload model prepared to estimate the resources needed only included the regions; it did not include resources needed at headquarters or other support offices, and it did not consider resources for all brownfields-funded activities.

Funding Received for Brownfields Program (Millions)

	Requested	Received	Shortfall
Fiscal 2003	$200	$166	$34
Fiscal 2004	$210	$170	$40

Recommendations to EPA included developing a process for sampling applications to conduct more detailed eligibility evaluations, implementing environmental performance measures, and evaluating the current workload model to ensure new responsibilities of the expanded brownfields program are reflected in the model. EPA agreed with most of our recommendations.

(Report No. 2004-P-00020, Substantial Progress Made, But Further Actions Needed in Implementing Brownfields Program, June 21, 2004)

EPA Enforcement Data Provided to Congress

In response to a Congressional request, we provided information on EPA enforcement resources and accomplishments for Fiscal 2003. For the year, EPA spent $406.3 million and used 2,374 full-time equivalent positions on enforcement activities. During the year, EPA reported 146.2 years of incarceration imposed, $71.3 million in fines assessed, and 600 million pounds of pollutants reduced.

(Report No. 2004-S-00002, Congressional Request on Updating Fiscal 2003 EPA Enforcement Resources and Accomplishments, August 3, 2004)

Testimony

Providing testimony before Congressional committees.

Inspector General Emphasizes Need to Improve Measuring of Grants Results

On July 20, 2004, Inspector General Nikki Tinsley testified on the need for EPA to improve how it measures environmental results generated by grants.

"Our work indicates that while EPA has made progress in this area over time, more can be done to ensure that grants awarded are better managed and that they produce their intended results," Tinsley said, speaking before the U.S. House of Representatives' Subcommittee on Water Resources and the Environment, Committee on Transportation and Infrastructure.

Tinsley noted EPA uses grants as the primary means of fulfilling its mission of protecting human health and the environment, and the $4.4 billion in 2003 grants represented more than half the Agency's budget. EPA awards grants to State, local, and tribal governments; universities; and non-profit organizations. "Given this large amount, it is imperative that EPA be able to measure how these grants contribute toward fulfilling its mission," Tinsley said.

In recent audits and evaluations, the Office of Inspector General noted several common reasons for insufficient measuring (see table). Tinsley said EPA project officers often did not identify in grant award documents expected results or a means of measuring whether the results were achieved. "It is important to establish requirements to measure grant results prior to awarding the grant. This is when EPA is most able to influence how recipients measure and report their results."

Three Common Reasons for Lack of Grants Measurement Success

- Not identifying expected results and means to measure results.
- Not working with grant recipients or being unable to reach agreement on measurement data needed.
- Not including environmental performance measurement component when establishing new programs.

Also, Tinsley said EPA program managers had not worked with grant recipients or had been unable to reach an agreement on what measurement data was needed and how it would be used. For example, she noted that while EPA has spent $47 billion over the years on the Clean Water State Revolving Fund, "EPA is struggling to determine how it will measure program results." She stressed the need to work with State partners to agree on results to be achieved and a means for measuring those results. Further, Tinsley said EPA program managers did not include an environmental performance measurement component when establishing new grants programs.

EPA is taking action to improve the measurement of grant results, in part in response to Office of Inspector General recommendations, Tinsley said. EPA developed a goal in 2003 to "Support Identifying and Achieving Environmental Outcomes." Now, she said EPA must determine what data is needed and how that data will be used, and then hold staff accountable for using the information.

Chemical Safety and Hazard Investigation Board

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

In Fiscal 2004, Congress designated the EPA Office of Inspector General to serve as the Inspector General for the CSB. As a result, the EPA Office of Inspector General has the responsibility to audit, evaluate, inspect, and investigate CSB's programs, and to review proposed laws and regulations to determine their potential impact on CSB's programs and operations. This includes an annual evaluation of CSB's information security program and practices.

Chemical Safety and Hazard Investigation Board Information Security Deficiencies Noted

An evaluation of the CSB's information security program and practices noted continuing security program weaknesses. This evaluation was conducted by a contractor on behalf of the EPA Office of Inspector General.

The CSB was reported as having four significant deficiencies in policies, procedures, and practices for Fiscal 2004 that are recurring from Fiscal 2003. They involve:

- Implementing essential technical controls such as file and e-mail encryption and completing risk assessments for information technology.
- Establishing an information technology security awareness program to provide training to all personnel.
- Documenting and approving incident-handling procedures.
- Conducting certification and accreditation reviews of all systems.

CSB also documented a fifth significant deficiency involving instituting a formal patch management process. According to CSB officials, the significant deficiencies existed due to lack of funding. A plan of action and milestones was established and documented for each deficiency.

(Report No. 2004-S-00006, Evaluation of U.S. Chemical Safety and Hazard Investigation Board's Compliance with the Federal Information Security Management Act (FISMA) for Fiscal 2004, September 28, 2004)

Other Activities

New Two-Year Plan Aligns Current Priorities with Strategic Goals

The EPA Office of Inspector General took another step in aligning its performance planning process with budgeting and strategic goals in developing a new Two-Year Plan.

The Two-Year Plan is based on a new process of scoring and ranking potential topics and assignments based on objective criteria of public benefit (Office of Inspector General goals, Yellow Book Standards, and customer/stakeholder interests). The Plan identifies current and emerging priorities in relation to estimated costs and available resources as a cost-benefit ratio.

The Two-Year Plan closely links assignments and topics by Office of Inspector General product line to both EPA and Office of Inspector General Strategic Plans through interrelated key questions. The answers to these questions provide measurable performance results for accountability in relation to the Office of Inspector General Annual Performance Goals.

This new planning process is designed to continuously consider the most current and emerging issues, to identify the highest relative priorities, build and support Office of Inspector General budgets, and provide a basis for internal accountability. It will be updated as new priorities are identified and considered, and will be implemented through Office of Inspector General audits, evaluations, investigations, and public liaison reviews.

The Two-Year plan is available at http:/www.epa.gov/oig/reports/2004/20040930-OIG-Two-Year-Plan.pdf.

EPA Office of Inspector General Staff Share Expertise

An Office of Inspector General employee addressed the Joint Hazardous Waste/Solid Waste Session at the Association of State and Territorial Solid Waste Management Officials mid-year conference in April. This employee, Virginia Roll, described concerns about the adequacy of some landfill financial assurance mechanisms and limiting landfill post-closure care to 30 years.

Another employee, Michael Binder, addressed the Mid-Atlantic Intergovernmental Audit Forum in April with a presentation on using the art of persuasion through briefings and written products to build constructive audit relations and get action.

Binder also addressed the Mid-Western Intergovernmental Audit Forum (May) and the South West Intergovernmental Audit Forum (August) in separate presentations on “Adding Value for Return on Investment.” The presentation featured a demonstration of

the Logic Model approach to planning and performance measurement, emphasizing the role of customer and stakeholder input to help define value and expectations. It also demonstrated how linked measures can be used in groups and in mathematical relationships to show relative efficiency, effectiveness, and return on investment.

Similar presentations were also given to other EPA and Inspector General offices, and additional requests to provide training have been received.

EPA Inspector General Leads PCIE Roundtable into New Territory

Under the leadership of Nikki Tinsley, EPA Inspector General, the President's Council on Integrity and Efficiency (PCIE) Government Performance and Results Act Roundtable pushed into new frontiers through its most ambitious year of activities and new initiatives.

During Fiscal 2004, the Roundtable conducted 10 events, highlighted by certifying Continuing Professional Education credits for Roundtable participants; taking the Roundtable on the road to Philadelphia and Chicago (the first PCIE events held in Federal regional cities); and forming a partnership with the Intergovernmental Audit Forum to include city, State, and local auditors.

Topics presented and discussed this reporting period included:

- The Government Performance and Results Act 10 Years Later: Progress, Achievements, Challenges and Recommendations.
- Issues and Opportunities on Proposed Amendments to the Government Performance and Results Act.
- Harvesting the Results of Office of Inspector General Work Through Effective Followup.
- Progress and Challenges in Human Capital Issues in Performance Planning and Results.

A number of leaders and national experts from the Government Accountability Office, the Inspector General community, Congressional staff, Office of Management and Budget, universities, and other institutions spoke at the roundtables.

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 Office of Inspector General, as well as our participation on the President's Council on Integrity and Efficiency.

During the reporting period, we reviewed 28 proposed changes to legislation, regulations, policy, and procedures that could affect EPA. We also reviewed drafts of Office of Management and Budget Circulars, program operations manuals, directives, and reorganizations. Details on several items follow.

Draft, *25th Anniversary Inspector General Act Amendments*: As the role of the Office of Inspector General has expanded in both mission and complexity, it has become clear that new personnel practices and policies are needed. We commented that Offices of Inspector General needed personnel flexibilities, such as direct hire authority to fill critical need positions. Under this authority, an Office of Inspector General can hire directly, without regard to many statutory examining provisions, although Offices of Inspector General would have to comply with public notice provisions regarding Government-wide listing of open positions.

H.R. 3826, *Program Assessment and Results Act*: This bill would require the review of Federal Government programs at least once every 5 years for purposes of evaluating their performance. We commented that such reviews should consider not only management but cost effectiveness when evaluating a program's performance. We also commented that the bill should take into account that many program benefits may not be recognizable or measurable in the short term but only after many years.

Proposed Enterprise Architecture Policy: We commented that the proposed policy was vague in that it did not identify the program offices' roles and responsibilities for implementing the policy. The policy should not be issued without well defined procedures that have been coordinated with the affected program offices and have gone through the Agency's directive clearance review process. The policy stated that it applied to grantees and contractors. However, the policy was unclear how EPA intends to ensure grantees and contractors comply with these provisions.

Proposed Revision to Resource Management Directives System, Chapter 14, *Superfund Accounts Receivable and Billings*: We commented that policies and procedures can be further strengthened and additional procedures developed to ensure all settled agreements stipulating amounts due EPA are forwarded to the respective Financial Management Officer and subsequently recorded timely in the Integrated Financial Management System. Specifically, we recommended that Financial Management Officers (1) perform monthly reconciliations of accounts receivable (2) develop a methodology for providing notifications of agreements not forwarded or received; and (3) follow up to ensure proper forwarding of documents.

Statistical Data

Audit Report Resolution

Status Report on Perpetual Inventory of Reports in Resolution Process for Semiannual Period Ending September 30, 2004

Report Category	No. of Reports	Report Issuance ($ in Thousands)		Report Resolution Costs Sustained ($ in Thousands)	
		Questioned Costs	Recommended Efficiencies	To Be Recovered	As Efficiencies
A. For which no management decision was made by April 1, 2004**	107	$56,966	$3,598	$1,404	
B. Which were issued during the reporting period	220	4,283	575	45	$315
C. Which were issued during the reporting period that required no resolution	131	0	0		
Subtotals (A + B - C)	196	61,249	4,173		
D. For which a management decision was made during the reporting period	91	8,357	592	1,449	315
E. For which no management decision was made by September 30, 2004	105	52,293	3,581		
F. Reports for which no management decision was made within 6 months of issuance	54	48,893	3,581		

** 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 contained in Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by this office. Many of the reports were prepared by other Federal auditors or independent public accountants. EPA OIG staff do not manage or control such assignments. Auditees frequently provide additional documentation to support the allowability of such costs subsequent to report issuance.

Table 1 - Inspector General-Issued Reports With Questioned Costs for Semiannual Period Ending September 30, 2004 (Dollar Value in Thousands)

Report Category	Number of Reports	Questioned Costs*	Unsupported Costs
A. For which no management decision was made by April 1, 2004**	50	$56,996	$10,573
B. New reports issued during period	24	4,283	0
Subtotal (A+B)	74	61,279	10,573
C. For which a management decision was made during the reporting period	23	8,357	2,913
(i) Dollar value of disallowed costs	8	1,449	1,272
(ii) Dollar value of costs not disallowed	15	6,908	1,641
D. For which no management decision was made by September 30, 2004	51	52,923	7,660
Reports for which no management decision was made within 6 months of issuance	34	48,893	7,660

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

Table 2 - Inspector General-Issued Reports With Recommendations That Funds Be Put To Better Use for Semiannual Period Ending September 30, 2004 (Dollar Value in Thousands)

Report Category	Number of Reports	Dollar Value
A. For which no management decision was made by April 1, 2004**	6	$3,598
B. Which were issued during the reporting period	2	575
Subtotal (A+B)	8	4,173
C. For which a management decision was made during the reporting period	3	592
(i) Dollar value of recommendations from reports that were agreed to by management	1	315
(ii) Dollar value of recommendations from reports that were not agreed to by management	2	277
(iii) Dollar value of non-awards or unsuccessful bidders	0	0
D. For which no management decision was made by September 30, 2004	5	3,581
Reports for which no management decision was made within 6 months of issuance	5	3,581

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

Audits With No Final Action as of September 30, 2004, That Are Over 365 Days Past Office of Inspector General Report Issuance Date

Audits	Total	Percentage
Program	27	21.6%
Assistance Agreements	42	33.6%
Contract Audits	25	20.0%
Single Audits	29	23.2%
Financial Statement Audits	2	1.6%
Total	**125**	**100.0%**

Summary of Investigative Results

Summary of Investigative Activity During Period	
Cases open as of March 31, 2004	166
Cases opened during period	107
Cases closed during period	71
Cases pending as of September 30, 2004	202

Investigations Pending by Type as of September 30, 2004

	Superfund	Management	Total
Contract	12	23	35
Assistance Agreement	1	35	36
Employee Integrity	4	35	39
Program Integrity	3	22	25
Computer Crime	0	13	13
Lab Fraud	12	32	44
Other	1	9	10
Total	**33**	**169**	**202**

Results of Prosecutive Actions	
Criminal Indictments / Informations	5
Convictions	4
Civil Judgments / Settlements / Filings	1
Fines and Recoveries	$248,109

Personnel and Administrative Actions	
Suspension / Debarments / Compliance Agreements	18
Other	22
Total	**40**

Scoreboard of Results Compared to Fiscal 2004 Strategic Performance Targets

All results reported in Fiscal 2004, from current and prior year's work, in OIG Performance Measurement and Results System. (Except where noted, information verified and subject to OIG Data Quality Policy.)

Strategic Goal; With Government Performance and Results Act Annual Performance Goals Compared to Fiscal 2004 Results Reported	Supporting Measures
Goal 1. Contribute to Human Health and Environmental Quality	
Environmental Improvements/Actions/Changes ***Target: 42; Reported: 49*** (117%)	0 Legislative changes/decisions 3 Regulatory changes/decisions 46 EPA policy, process, practices changes 0 Examples of environmental improvement 0 Best environmental practices implemented
Environmental Risks Reduced or Eliminated ***Target: 18; Reported: 45*** (250%)	25 Environmental risks reduced/eliminated 11 Certifications/validations/verifications 9 Critical Congressional/public issues addressed
Environmental Recommendations, Best Practices Risks Identified ***Target: 80; Reported: 116*** (145%)	70 Environmental recommendations 1 Environmental best practice identified 45 Environmental risks identified
Goal 2. Improve EPA's Management, Accountability, and Program Operations	
Return on Investment: Potential dollar return as percentage of OIG budget ($48 million) ***Target: $72 million (150%); Reported: $24 million*** *(33%)*	*(Dollars in Millions)* $ 22.0 Questioned costs $ 0.6 Recommended efficiencies, costs saved $ 1.3 Fines, recoveries, settlements
Criminal, Civil, and Administrative Actions Reducing Risk of Loss/Operational Integrity ***Target: 80; Reported: 108;*** (135%)	30 Criminal convictions 13 Indictments/informations/complaints 4 Civil judgments/settlements/filings 61 Administrative actions
Improvements in Business/Systems/Efficiency ***Target: 100; Reported: 133*** (133%)	55 Policy process, practice, control changes 2 Corrective actions on FMFIA/mgt. challenge 17 Best practices implemented 49 Certifications/validations/verifications/ allegations disproved 10 Critical Congressional or public mgt. concerns addressed
Recommendations, Best Practices, Challenges Identified ***Target: 240; Reported: 380*** (158%)	358 Recommendations 17 Best practices identified 0 FMFIA/management challenges identified 5 Referrals for OIG or Agency Action
Goal 3. Continuously Improve OIG Products and Services (Internally Reported – Not Audited)	
• Product/services in collaboration with partners 36 • Requests to testify at hearings/presentations 34 • Management innovations implemented 30 • Assignments performed by request/mandate 73% • Peer review opinion Unqualified	• Savings from mgt. improvements $100,000 • Products electronically accessible * 75+% • PCIE projects/activities led 15 • Legs/regs/policies reviewed/timely 56/ 100% • Expiring funds used 99.9%

* For issued products not containing confidential or restricted information.

Appendix 1 – Reports Issued

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

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
PERFORMANCE REPORTS:						
2004-P-00015	Closed: EPA's Computer Security Self-Assessment Process	26-APR-04				
2004-P-00016	Evaluation of Children's Environmental Health Initiative	17-MAY-04				
2004-P-00017	Marjol Battery Site - Throop PA	18-MAY-04				
2004-P-00018	Stauffer Chemical-Tarpon Springs/FL -Ombudsman Review	03-JUN-04				
2004-P-00019	Source Water Assessments and Protection	27-MAY-04				
2004-P-00020	Brownfields Management Review: Program Implementation	21-JUN-04				
2004-P-00021	Evaluation of EPA's Petroleum Refinery Enforcement and Compliance	22-JUN-04				
2004-P-00022	AA - Clean Water State Revolving Fund Results	22-JUN-04				
2004-P-00023	Homeland Security: Evaluation of EPA Research Action Plan	28-JUN-04				
2004-P-00024	EPA's Human Capital Management Strategic Planning & Analysis	20-SEP-04				
2004-P-00025	Effluent Guidelines Evaluation 2 - Sub#1	18-AUG-04				
2004-P-00026	Financial Application Change Controls	24-AUG-04				
2004-P-00027	Role of Superfund National Priorities List: State Cleanup Program Evaluation	01-SEP-04				
2004-P-00028	Review of Management and Recycling Programs for E-Waste	01-SEP-04				
2004-P-00029	EPA Oversight of Alaska Village Safe Water Program	21-SEP-04				
2004-P-00030	EPA's Pretreatment Program	28-SEP-04				
2004-P-00031	Ombudsman - Industrial Excess Landfill Site	29-SEP-04				
2004-P-00032	Escambia	30-SEP-04				
2004-P-00033	Effectiveness of Strategies to Reduce Ozone Precursors	29-SEP-04				
2004-P-00034	New Source Review	30-SEP-04				
2004-P-00035	Superfund Issues in Indian Country	30-SEP-04				
	TOTAL PERFORMANCE REPORTS = 21		**$0**	**$0**	**$0**	**$0**
ASSISTANCE AGREEMENT REPORTS:						
2004-1-00057	AA-Missouri CWSRF and DWSRF 6/30/2003	06-MAY-04	$111,717			
2004-1-00067	AA-Washington Clean Water SRF June 30 2003	26-MAY-04	$0	$0	$0	$0
2004-4-00016	Idaho SF Credit Claim - Cooperative Agreement V990431-01	02-JUN-04	$0	$0		
2004-4-00038	Association of Metropolitan Sewerage Agency Audit	31-AUG-04	$681,413	$0	$0	$0
	TOTAL ASSISTANCE AGREEMENT REPORTS = 4		**$793,130**	**$0**	**$0**	**$0**
SINGLE AUDIT REPORTS:						
2004-3-00078	Twenty Nine Palms Band of Mission Indians	07-APR-04				
2004-3-00079	Big Valley Rancheria Band of Pomo Indians	07-APR-04				
2004-3-00080	Water Environmental Research Foundation	07-APR-04				
2004-3-00081	Puerto Rico Aqueduct and Sewer Authority	07-APR-04				
2004-3-00082	Puerto Rico Aqueduct and Sewer Authority FY 2002	07-APR-04	$125,126			
2004-3-00083	Fairfax County Water Authority	07-APR-04	$13,839			
2004-3-00084	Puerto Rico Department of Health	08-APR-04				
2004-3-00085	Puerto Rico Department of Health	08-APR-04				
2004-3-00086	Arkansas for Medical Sciences, University of	12-APR-04				
2004-3-00087	Pit River Tribe	12-APR-04				
2004-3-00090	Hawaii - Department of Health, State of	03-MAY-04				
2004-3-00091	Hawaii - Department of Health, State of	03-MAY-04				
2004-3-00092	Bad Axe, City of	18-MAY-04				
2004-3-00093	Osage Tribal Council	18-MAY-04				
2004-3-00094	Osage Tribal Council	18-MAY-04				

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
2004-3-00095	Hoonah Indian Association	19-MAY-04				
2004-3-00088	New Hampshire, State of	03-MAY-04				
2004-3-00089	Wyoming, State of	03-MAY-04				
2004-3-00096	Industrial Technology Center	19-MAY-04				
2004-3-00097	Standing Rock Sioux Tribe	19-MAY-04				
2004-3-00098	Missouri, State of	20-MAY-04				
2004-3-00099	Oregon, State of	25-MAY-04				
2004-3-00100	Nevada, State of	27-MAY-04				
2004-3-00101	New Mexico - Environment Department, State of	02-JUN-04				
2004-3-00102	New Mexico - Environment Department, State of	02-JUN-04				
2004-3-00103	Boise State University	10-JUN-04				
2004-3-00104	Flint, City of	10-JUN-04				
2004-3-00105	Hoonah Indian Association	29-JUN-04				
2004-3-00106	North Dakota rural Water Association	29-JUN-04				
2004-3-00107	Washoe County of Nevada and California	29-JUN-04				
2004-3-00108	Albany, County of	30-JUN-04				
2004-3-00109	Albany, County of Fiscal Year 2002	30-JUN-04				
2004-3-00110	California, State of	12-JUL-04				
2004-3-00111	North Carolina, State of	12-JUL-04				
2004-3-00112	National Association of School Nurses	21-JUL-04	$19,000			
2004-3-00113	Boise State University	26-JUL-04				
2004-3-00114	Tampa BayWatch, Inc.	26-JUL-04	$27,092			
2004-3-00115	Louisiana, State of	26-JUL-04				
2004-3-00116	Wyoming Energy Council	26-JUL-04				
2004-3-00117	Iowa, State of	26-JUL-04				
2004-3-00118	Colorado, State of	26-JUL-04				
2004-3-00119	Prairie Island Indian Community	27-JUL-04				
2004-3-00120	Quartzsite, Town of	27-JUL-04				
2004-3-00121	Valdese, Town of	27-JUL-04				
2004-3-00122	Connecticut, State of	27-JUL-04	$137,109	$0	$0	
2004-3-00123	Wisconsin, State of	27-JUL-04				
2004-3-00124	Arkansas, State of	27-JUL-04				
2004-3-00125	Bexar Metropolitan Water District	27-JUL-04				
2004-3-00126	Brigham & Women's Hospital, The	25-AUG-04				
2004-3-00127	Denver, University of	25-AUG-04				
2004-3-00128	Ute Indian Tribe	25-AUG-04				
2004-3-00129	Calumet, Charter Township of	25-AUG-04				
2004-3-00130	American YouthWorks	25-AUG-04				
2004-3-00131	Shelby, City of	25-AUG-04				
2004-3-00132	Fresno, City of	25-AUG-04				
2004-3-00133	Tanacross Village Council	25-AUG-04				
2004-3-00134	Fort Independence Indian Reservation	27-AUG-04				
2004-3-00135	Aleut Community of St. Paul	27-AUG-04				
2004-3-00136	Aleut Community of St. Paul	27-AUG-04				
2004-3-00137	Morehouse School of Medicine Inc. & Affiliate	23-SEP-04				
2004-3-00138	Michigan, Regents of the University of	23-SEP-04				
2004-3-00139	National Fish and Wildlife Foundation	23-SEP-04				
2004-3-00140	Salt Lake Organizing Committee 2002 Olympics	23-SEP-04				
2004-3-00141	Institute of Transportation Engineers	24-SEP-04				
2004-3-00142	Institute of Transportation Engineers	24-SEP-04				
2004-3-00143	Atmautluak Traditional Council	24-SEP-04				
2004-3-00144	Yale University	24-SEP-04				
2004-3-00145	Wake Forest University	24-SEP-04				
2004-3-00146	Augustine Band of Cahuilla Mission Indians	24-SEP-04				
2004-3-00147	National Tribal Environmental Council	24-SEP-04				
2004-3-00148	Association of Village Council Presidents Inc	24-SEP-04				
2004-3-00149	Pilot Point Traditional Council	24-SEP-04				
	TOTAL SINGLE AUDIT REPORTS = 72		**$322,166**	**$0**	**$0**	
OIG ISSUED CONTRACT REPORTS:						
2004-1-00084	E&E FY2003 Personal Computer System	22-JUN-04				
2004-1-00091	E. H. Pechan & Assoc.-FY1999 and FY2000 Incurred Cost Audit	30-JUN-04	$0	$0	$0	
2004-1-00092	Contract Audit Closeout - Contract No. 68-D3-0035	30-JUN-04	$0	$0		
2004-4-00031	ICF Consulting Segment Disclosure Statement Revision	16-AUG-04				
2004-4-00033	ICF Consulting Home Office Disclosure Statement Revision	17-AUG-04				
2004-4-00035	Non Compliance with Cost Accounting Standard 402	25-AUG-04				
2004-4-00036	Non Compliance with Cost Accounting Standard 402	31-AUG-04				
	TOTAL OIG ISSUED CONTRACT REPORTS = 7		**$0**	0	0	**0**

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
DCAA CONTRACT REPORTS:						
2004-1-00049	EERGC-FYEs 6/30/2000 and 2001 Incurred Cost- Canceled by OAM	22-APR-04				
2004-1-00050	Project Resources, Inc.-FYE 12/31/2001 Incurred Cost	22-APR-04				
2004-1-00051	Battelle Columbus Operations-CAS 414 COM-Noncompliance FY 2000	27-APR-04				
2004-1-00052	Transcontinental Enterprises, Inc- FYE 9/30/2001 Incurred Cost	21-APR-04	$54,296			
2004-1-00053	CH2M Hill, Ltd.-FY 2004 Revised CAS D/S Effec Effect 1/2002-2004	23-APR-04				
2004-1-00054	Battelle Columbus Operations-CAS 417 Noncompliance - FY 2000	28-APR-04				
2004-1-00055	Battelle Memorial Institute/BCO-FYE 9/30/2001 I/C	13-MAY-04	$5,686			
2004-1-00056	Integrated Laboratory Systems -FYE 9/30/2001 Incurred Cost	23-APR-04				
2004-1-00058	Cadmus Group Inc.-FYE 4/30/2001 Incurred Cost	23-APR-04				
2004-1-00059	WRS Infrastructure & Environ. Inc- FYE 12/31-2002 Incurred Cost	13-MAY-04				
2004-1-00060	EG&G Tech Svs. Inc. -CACS 68-W8-0126 Rev Final Voucher 119	17-MAY-04	$12,105			
2004-1-00061	INDUS Corporation-FYE 12/31/2000 Incurred Cost	18-MAY-04				
2004-1-00062	CH2M Hill Inc.-FY 5/2002 to 3/2004 Labor Accounting System	18-MAY-04				
2004-1-00063	Black & Veatch Special Proj Corp.- FYE 12/31/2000 I/C	18-MAY-04				
2004-1-00064	Shaw E&I (formerly IT Group)-- FY 2004 Fin Capability	21-MAY-04				
2004-1-00065	Cadmus Group Inc.-CAS Disclosure Statement Revision #6	24-MAY-04				
2004-1-00066	Tetra Tech, Inc.- Preaward PR-CI-03-1033 [4/2004 thru 3/2009]	25-MAY-04				$260,678 *
2004-1-00068	Black & Veatch Spec Proj Corp-CAS 410, 418, 420 FYE 12/31/02	27-MAY-04				
2004-1-00069	Metcalf & Eddy Inc. - FYE 9/30/2004 CAS 410 G&A Allocation	27-MAY-04				
2004-1-00070	Neptune & Company Inc.-FYE 12/31/1999 Incurred Cost	27-MAY-04				
2004-1-00072	Matrix Environmental&Geotech.Svcs-FY 12/31/01 Incurred Cost	03-JUN-04				
2004-1-00073	Neptune & Company, Inc.-FY 12/31/2000 Incurred Cost	03-JUN-04				
2004-1-00074	Midwest Research Institute-FYE6/30/03 OMB A-133/Incurred Cost	08-JUN-04				
2004-1-00075	Tetra Tech NUS, Inc.-FYE 9/30/2001 Incurred Cost	08-JUN-04				
2004-1-00076	TN & Associates- FYE 12/31/2002 Incurred Cost	08-JUN-04				
2004-1-00077	CH2M Hill Inc.-FY2001 CAS Accounting Change Cost Impact	08-JUN-04				
2004-1-00079	Versar, Inc.-FYE 6/30/2002 Incurred Cost	09-JUN-04				
2004-1-00080	CH2M Hill Inc. (INC)- CFY 2003 CAS 410-Alloc of Bus Unit G&A	14-JUN-04				
2004-1-00082	CH2M Hill I&E-D/S Rev 5a-b (Effec 1/1/01), 6a-b (Eff 1/1/02)	15-JUN-04				
2004-1-00085	Cadmus Group, Inc-Disclosure Statement-Rev.#9 Effecti 5/1/04	21-JUN-04				
2004-1-00086	MACTEC Fed Prog Inc(formerly Pacific Environ Svcs-FY10/01 IC	21-JUN-04				
2004-1-00087	Weston Solutions, Inc.-FYE 12/31/2002 Incurred Cost	21-JUN-04				
2004-1-00088	Southwest Research Institute- FYE 9/30/2003 Incurred Cost	24-JUN-04				
2004-1-00089	Toeroek Associates, Inc. - Preaward RFP #PR-R4-04-10086	24-JUN-04				
2004-1-00090	DCT, Inc.-FY 12/31/2002 Incurred Cost	24-JUN-04				
2004-1-00093	Earth Technology Remediation Svc-FYE 9/22/2000 Incurred Cost	05-AUG-04	$106,506			
2004-1-00094	Bechtel Group Inc-FY 1997 Incurred Cost	06-AUG-04				
2004-1-00095	Zedek Corp.-FYE 10/31/2001 Incurred Cost	06-AUG-04				
2004-1-00096	Tetra Tech EMI-FY 9/30/2001 Annual Close-out RAC 68-W6-0037	10-AUG-04	$163,221			
2004-1-00097	Metcalf & Eddy, Inc.-FYE 9/30/2002 Incurred Cost	11-AUG-04	$89,560			
2004-1-00098	CH2M Hill, Inc.- CFYE 12/31/2002 Incurred Cost	12-AUG-04	$1,945,213			
2004-1-00099	Lockheed Martin Services Group -FYE 12/31/2002 Incurred Cost	23-AUG-04	$2,128			

* This amount reflects an upward adjustment to the contractor’s bid.

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2004-1-00100	Acurex Environmental c/o ARCADIS Geraghty- FY 1999 Incurred Cost	24-AUG-04				
2004-1-00101	Shaw E&I Findlay Joint Ventur-FY2002 Preaward PR-CI-02-10152	24-AUG-04				
2004-1-00103	Roy F. Weston, Inc.-CFY 12/31/1996 (& 1995) ARCS 68-W9-0015	31-AUG-04	$71,280			
2004-1-00104	SciComm, Inc.- FYE 12/31/2002 Incurred Cost	09-SEP-04				
2004-1-00105	Battelle Memorial Institute-BCO Columbus FY 2003 Incurred Cost	09-SEP-04				
2004-1-00106	Earth Technology Remediation Service-FY 1999 Incurred Cost	10-SEP-04	$23,075			
2004-1-00107	EC/R Incorporated- FYE 12/31/2001 Incurred Cost	10-SEP-04				
2004-1-00108	Griffin Services Inc-FYE 1/31/2000 Incurred Cost	13-SEP-04				
2004-1-00109	Industrial Economics, Inc.- FYE 12/31/2001 Incurred Cost	22-SEP-04				
2004-1-00110	Gram, Inc.-FY2002 Incurred Cost	22-SEP-04				
2004-1-00111	Aqua Terra Consultants-FY2002 Incurred Cost (see 2004-000475)	23-SEP-04				
2004-1-00112	Metcalf & Eddy Inc.- CFY 2002 RAC 68-W6-0042	24-SEP-04				
2004-1-00113	GeoLogics Corporation-FYE 12/31/2001 Incurred Cost	24-SEP-04				
2004-1-00114	Trinity Engineering Associates- FYE 12/31/2002 Incurred Cost	27-SEP-04				
2004-1-00115	Welso Federal Services LLC - Incurred Cost FYE 9/30/2003	27-SEP-04	$1,678			
2004-1-00116	Industrial Economics, Inc.-FY2002 Incurred Cost	28-SEP-04				
2004-1-00117	Cadmus Group Inc.-FY2002 Incurred Cost	28-SEP-04				
2004-1-00118	Environmental Quality Management, Inc.- FY2002 Incurred Cost	30-SEP-04	$50,400			
2004-2-00030	EC/R, Inc. -- FY 2004 Floorcheck on 3/23/2004- MAAR 6	29-APR-04				
2004-2-00031	Zedek Corporation-FYE 10/31/2000 Incurred Cost	23-APR-04				
2004-2-00032	I.C.E.S. Ltd.-FYE 12/31/2001 Incurred Cost	19-MAY-04				
2004-2-00033	CMC, Inc-FYs 1998-2002 Daily Equipmt Rates Review 68-S7-4006	24-MAY-04				
2004-2-00034	Arcadis Geraghty & Miller-Preaward PR-CI-03-1 0335 [3/04-2/08	25-MAY-04				$314,769
2004-2-00035	Neptune & Company Inc. - FYE 12/31/2002 Incurred Cost	27-MAY-04				
2004-2-00036	Matrix Environmental&Geotechnical Svcs- FY 12/31/00 I/C Review	03-JUN-04				
2004-2-00037	CH2M Hill Inc.-Invoice Review on Invoice #120- CFYs 1995-1996	09-JUN-04				
2004-2-00038	Tetra Tech Foster Wheeler (TTFW)- FY 2004 MAAR 6 Floorcheck	24-JUN-04				
2004-2-00039	Indtai, Inc. - Preaward PR-R4-04-10086 & Acct Sys Survey	06-JUL-04				
2004-2-00040	Weston Solutions, Inc (Roy F. Weston)-FY 1999 ARCS 68-W9-0057	02-AUG-04				
2004-2-00041	DCT, Inc. - FY 2003/2004 Financial Capability Audit	03-AUG-04				
2004-2-00042	Aarcher, Inc.- Preaward PR-R4-04-10086/ Pre-Award Acctg Sys	05-AUG-04				
2004-2-00043	Weston Solutions, Inc.-FYE 12/31/1998 ARCS 68-W9-0057	12-AUG-04				
2004-2-00044	Weston Solutions, Inc.-FY 12/31/99 RAC Close-Out 68-W7-0026	13-AUG-04				
2004-2-00045	FEV Engine Technology - Preaward - PR-CI-04- 10472	13-AUG-04				
2004-2-00046	Tetra Tech Inc/B&V SPC Joint Venture-FY1999 RAC 68-S7-3002	16-AUG-04	$4,222			
2004-2-00047	Tetra Tech Inc/B&V SPC Joint Venture-FY1999 RAC 68-S7-3002	17-AUG-04	$24,493			
2004-2-00048	Gruzen Samton - FYE 12/31/2001 Incurred Cost	15-SEP-04				
2004-2-00049	Information Experts-Preaward Indirect Rates PR-NC-04-10221	23-SEP-04				
2004-2-00050	CH2M HILL, Inc. -FY 2001 RAC Annual Close-out 68-W6-0025	24-SEP-04	$8,045			
2004-2-00051	CH2M Hill Inc - FY 2002 RAC Annual Close-out 68-W6-0025	24-SEP-04				
2004-4-00020	SecTek, Inc. - CFYE 9/30/2002 Incurred Cost	06-JUL-04				
2004-4-00021	Environmental Restoration, LLC - FY 2004 MAARs 6 Floorcheck	06-JUL-04				
2004-4-00022	Environmental Restoration, LLC-FY2004 MAAR 13 Purchases Exis	06-JUL-04				

Report Number	Title	Final Report Issued	Questioned Costs: Ineligible Costs	Questioned Costs: Unsupported Costs	Questioned Costs: Unreasonable Costs	Recommended Efficiencies (Funds Be Put To Better Use)
2004-4-00023	Marasco Newton Group aka SRA Corp-Rev 3/5/03 Cost Impact Pro	08-JUL-04				
2004-4-00024	Zedek Corporation - FY2004 MAARs 6-Floorcheck	02-AUG-04				
2004-4-00025	Shaw E & I- FY 2004 Voucher Direct Pay Review (Direct billing)	04-AUG-04				
2004-4-00026	Shaw E & I -- FY 2004 Accounting System as of 5/24/2004	06-AUG-04				
2004-4-00027	Lockheed Martin Svcs, Inc.-FY 2004 Indirect/ ODC as of 5/2004	06-AUG-04				
2004-4-00028	Metcalf & Eddy Inc. - FY2004 MAAR# 6 Floor- check as of 4/2004	06-AUG-04				
2004-4-00029	Tetra Tech FW -FY2004 CAS 418 (period 10/2003 thru 5/2004)	12-AUG-04				
2004-4-00030	Metcalf & Eddy Inc. - FYE 9/30/2004 CAS 420 IR&D/B&P	16-AUG-04				
2004-4-00032	Eastern Research Group - FY 2004 Financial Capability	16-AUG-04				
2004-4-00034	Systems Research & Applications - FY2004 MAAR 6 Floorcheck	19-AUG-04				
2004-4-00037	Toeroek Associates, Inc. - FY 2004 Floorcheck - 8/4/2004	30-AUG-04				
2004-4-00039	Syracuse Research Corp-FY 2004 Floor Check MAAR 6 (July 2004	09-SEP-04				
2004-4-00040	Eastern Research Group - FY2004 Floorcheck (conducted 4/2004	09-SEP-04				
2004-4-00041	Alpha-Gamma Tech., Inc.-- FY 2004 Floorcheck- MAAR 6	10-SEP-04				
2004-4-00042	Integrated Laboratory System -- FY 2004 Floor- check - MAAR 6	10-SEP-04				
2004-4-00043	Environmental Quality Management - FY2004 Floorchecks	14-SEP-04				
2004-4-00044	Tetra Tech EMI-- FY 2004 Floorcheck (MAAR 6)	14-SEP-04				
2004-4-00045	Tetra Tech EMI-Memo FY04 Purchases Existence & Consump(MAAR13)	22-SEP-04				
2004-4-00046	DPRA, Inc. - FY 2004 Floorcheck (Ending 03/31/2004)	24-SEP-04				
2004-4-00047	Eastern Research Group - FYE 12/31/2003 CAS 416 Compliance	24-SEP-04				
2004-4-00048	Eastern Research Group - FY Jan-May, 2004 CAS 408 Compliance	24-SEP-04				
2004-4-00049	Metcalf & Eddy Inc. - FY2004 MAARs 13 Purchase Existence	28-SEP-04				
2004-4-00051	Stratus Consulting Inc - FY 2004 Labor System Review	30-SEP-04				
	TOTAL DCCA CONTRACT REPORTS = 109		**$2,585,659**	**0**	**0**	**$575,447**
FINANCIAL STATEMENT REPORTS:						
2004-1-00071	FY 2003 FIFRA Financial Statement Audit	03-JUN-04	0	0	0	0
	TOTAL FINANCIAL STATEMENT REPORTS = 1		**$0**	**$0**	**$0**	**$0**
SPECIAL REVIEW REPORTS:						
2004-S-00002	Update to Congressional Request on EPA Enforcement Resources	03-AUG-04				
2004-S-00003	E&E State Income Tax Allocation FYs 1990 Through 2001	23-AUG-04	$582,126			
2004-S-00004	SF Mandate: Administrative Support Issues	15-SEP-04				
2004-S-00005	Ecology & Environment Revised Disclosure Statement Review	22-SEP-04				
2004-S-00007	Fiscal 2004 FISMA Evaluation	30-SEP-04				
2004-S-00008	E&E Floorcheck FY 2003	30-SEP-04				
	TOTAL SPECIAL REVIEW REPORTS = 6		**$582,126**	**$0**	**$0**	**$0**
	TOTAL REPORTS ISSUED = 220		**$4,283,081**	**$0**	**$0**	**$575,447**

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