U.S. Environmental Protection Agency
OFFICE OF INSPECTOR GENERAL
Nikki L. Tinsley, Inspector General

Selected Accomplishments
January-March 2001

Investigative Activities

Government Employees and Vendors Plead Guilty to Credit Card Fraud
(Sentencing; Case 00-2006)

Lolita Flemmings Lee, a former facility manager in EPA's Facilities Management and Services Division, was sentenced in U.S. District Court, District of Columbia, for conspiracy to defraud the government, stemming from the improper use of a government credit card.

Lee was sentenced on November 21, 2000, to three years probation, six months of which is to be served in home detention, and 500 hours of community service. She was also ordered to pay $68,300 in restitution to EPA and a $100 special assessment. In addition, Lee resigned her position at EPA. As a result of this investigation, EPA's Facilities Management and Services Division has increased internal controls associated with its use of government issued credit cards.

From November 1998 through February 2000, Lee used her government issued credit card to make fictitious purchases from Charles Hawkins of CJ's Stationery. Instead of providing merchandise to EPA for the purchases, Hawkins would provide cash to Lee, keeping a portion of the cash for himself. In addition, Lee used her government credit card to make purchases for her personal benefit.

Hawkins pleaded guilty to a criminal information on October 10, 2000, in U.S. District Court, Eastern District of Virginia, to conspiracy to defraud the government and possession of a firearm by a convicted felon. On January 5, 2001, he was sentenced to 15 years in prison on the firearms charge, five years in prison for conspiracy (to run concurrently), and three years probation. He was also ordered to pay $58,780 to EPA, $34,553 to the Department of the Army, and a $200 special assessment.

In addition to the conspiracy at the EPA with Lee, Hawkins was conducting a similar conspiracy with Quintin A. Swann, a supply specialist with the Department of the Army. Swann pleaded guilty to a criminal information on January 31, 2001, in U. S. District Court, Eastern District of Virginia, to bribery and wire fraud. He has not yet been sentenced. Swann, was also conducting similar fraudulent credit card transactions with Robin Noland of Direct Office Products.

Noland pleaded guilty to conspiracy to defraud the government in U. S. District Court, Eastern District of Virginia, on September 11, 2000. She was sentenced on December 22, 2000, to two years probation, and was ordered to pay restitution of $72,500 to the Department of the Army, and a $100 special assessment.

This investigation was conducted jointly by the EPA OIG; the Federal Bureau of Investigation; the Defense Criminal Investigative Service; and the Department of the Army, Criminal

Investigations Division.

Three Plead Guilty in $2.6 Million Kickback Scheme (Criminal Information; Cases 95-006, 96-008, 97-7013)

On March 22, 2001, in U.S. District Court, District of New Jersey, Frederic DiNonno pleaded guilty to a two-count criminal information charging him with conspiracy to violate the Anti-Kickback Act of 1986 and with filing a false Federal income tax return. Co-defendant Lawrence J. Towers pleaded guilty to a two-count criminal information charging him with violations of the Anti-Kickback Act and aiding DiNonno in filing a false tax return. Co-defendant Stephen A. Cannon also pleaded guilty to aiding DiNonno in filing a false tax return.

DiNonno admitted that he created a shell company to receive the kickbacks paid by vendors who subcontracted with his employer, Ebasco Services, Inc. Ebasco was a major government contractor, providing power generation, environmental remediation, hazardous waste processing, and construction services to numerous government agencies.

Ebasco's vendors paid more than $2.6 million in kickbacks to DiNonno and his co-conspirators in exchange for favorable treatment. Approximately $800,000 of the kickbacks were in connection with government contracts. DiNonno also admitted that he did not report $315,675 in kickback payments he received in 1992 on his federal income tax return for that year.

This investigation was conducted by the EPA OIG; the Defense Criminal Investigative Service; the National Aeronautics and Space Administration, Office of Inspector General; and the Internal Revenue Service, Criminal Investigations Division.

EPA Contractor Enters into a Comprehensive Plea Agreement to Resolve Racketeering Charges (Criminal Information; Case 96-2025)

On March 9, 2001, Pritam Singh Sabharwal, formerly of Lexington, Kentucky, and most recently of New Delhi, India, entered a guilty plea to a criminal information in U.S. District Court, Eastern District of Kentucky, charging him with one felony count of obstruction of a federal audit. Sabharwal was the President of Environmental Health, Research, & Testing, Inc. (EHRT), an EPA contractor in the field of hazardous waste remediation and laboratory research.

An investigation was initiated in 1996, after EHRT filed for Chapter 11 bankruptcy and failed to pay off a $1 million fine associated with criminal charges brought against Sabharwal and EHRT in the 1993 bribery of an EPA official. The investigation resulted in a May 30, 2000, criminal indictment, superseded by a 12-count racketeering indictment on November 2, 2000, charging Sabharwal, four family members, and a business associate with various counts of mail fraud, wire fraud, bank fraud, bribery of two government officials, and obstruction of a federal audit. Named as defendants in addition to Pritam Sabharwal were his two sons, Paul and Shawn Sabharwal; his wife, Jean Sabharwal; a nephew, Harpreet S. Chadha; and former EHRT Vice President, Dushyant Gulati.

The guilty plea by Pritam Sabharwal is part of a comprehensive plea agreement between the prosecution and the various defendants that will resolve the November 2000 indictment. At the time of the indictment, Pritam Sabharwal was residing in India, beyond the jurisdiction of the federal courts. In consideration of his return to the United States and guilty plea to the criminal information, the prosecution agreed to seek the dismissal of the indictment.

This investigation was conducted jointly by the EPA OIG and the Defense Criminal Investigative Service.

Audit Activities

Early EPA Actions on Contaminant Asbestos Exposure in Libby, Montana Ineffective (Report 2001-S-7)

Although EPA attempted in the 1970s and 1980s to address contaminant asbestos exposure like that occurring in Libby, Montana, those attempts did not result in regulations or other controls that might have protected the citizens of Libby.

In November 1999, the media ran a series of newspaper articles reporting that miners and their families in the Libby area died or became ill from exposure to asbestos-contaminated vermiculite ore mined there since the 1920s. Subsequently, the media reported that EPA officials knew about the problem but did not take any action.

We found that EPA only recently took specific action to address the asbestos exposure at Libby. Currently, EPA is focusing on an aggressive Superfund cleanup at that location, but has yet to identify and prevent potential asbestos contamination at other mining sites and related facilities.

Various barriers prevented EPA from sufficiently addressing asbestos-contaminated vermiculite. Authority for taking action via various laws was shared among EPA offices, and EPA shared jurisdiction with other agencies who had their own laws and regulations. This fragmented authority and jurisdiction, when combined with ineffective communication, made taking actions difficult. Limitations in science and technology also impeded EPA's efforts at determining the degree of health risk at Libby. Furthermore, due to funding constraints and competing priorities, EPA placed emphasis on other areas, such as asbestos in schools, rather than asbestos-contaminated vermiculite.

EPA has begun taking actions regarding Superfund cleanup at Libby. Also, EPA has traced, evaluated, and planned to take action on at least 16 sites throughout the country associated with asbestos-contaminated vermiculite from Libby. EPA should assess and address, as appropriate, any other asbestos-contaminated mines and situations similar to Libby.

Monitoring of Violators' Compliance with Enforcement Instruments Could Be Improved (Report 2001-P-00006)

EPA's annual enforcement accomplishment reports did not accurately represent the actual environmental benefits resulting from enforcement activities. For example, the fiscal 1999 report stated that enforcement actions resulted in the reduction of more than 6.8 billion pounds of pollutants. This may have been either an understatement or overstatement, since violators did not always comply with the enforcement instruments and EPA did not have comprehensive data. Also, EPA's enforcement performance measures were inadequate to determine the program's actual accomplishments.

EPA regions often did not adequately monitor compliance with enforcement instruments, nor take further enforcement actions against violators who did not comply or did not comply timely. We could find no evidence of monitoring around the due dates for compliance in more than 50 percent of the cases reviewed. We found no evidence of compliance in 25 percent of the cases, and an additional 30 percent were late in complying or EPA did not know whether compliance was timely. EPA did not take further enforcement actions in 85 percent of cases where violators did not timely comply or EPA did not know whether they did. In 87 percent of the cases where the files contained no evidence of compliance, EPA issued the instruments for significant violations.

We recommended that EPA's Acting Assistant Administrator for Enforcement and Compliance Assurance: (1) establish a

performance measure for ensuring that facilities under a formal enforcement action return to compliance; (2) identify a more accurate method for reporting actual, rather than estimated, accomplishments resulting from EPA's enforcement activities; and (3) issue baseline guidance for monitoring violators' efforts to comply with enforcement instruments and consider further enforcement actions when violators fail to comply with instrument requirements. We also recommended that all Regional Administrators adequately monitor violators' actions, consider further enforcement actions when appropriate, and determine the status of those cases where our review showed no evidence of violator compliance.

School District Misspends EPA Funds Intended for Asbestos Abatement
(Report 2001-1-00073)

We determined that $4,017,412 of the $4,278,656 claimed by the Napoleon City (Ohio) Schools under an EPA asbestos grant and loan was questionable because the district did not spend the funds in accordance with Federal laws, regulations, and the terms of the assistance agreement. This included at least $2,523,328 in ineligible costs that EPA should recoup.

EPA provided the school district with a combination grant ($1,905,515) and loan ($2,373,141) under the Asbestos School Hazard Abatement Reauthorization Act of 1990, to assist in the abatement of asbestos in the district's high school and middle school. However, we found that the district inappropriately made claims for:

- Damages and delays caused by a contractor's deficient work and default.
- Renovations and other items neither authorized nor necessary.
- Unauthorized asbestos abatement.
- Lump-sum contracts including both authorized asbestos abatement and general renovation work.
- Non-competitive contracts and other agreements not procured as required.
- Duplicate, unallowable, and unsupported costs.

We recommended that EPA immediately recover the $2.5 million of ineligible costs. We also recommended that EPA determine the eligibility of the unsupported work, including renovation work under lump-sum contracts, and make any additional recoupments appropriate.

Access Controls for EPA Payroll and Personnel System Inadequate
(Report 2001-P-00004)

Access to the Environmental Protection Agency Payroll and Personnel System (EPAYS) was not adequately controlled. Some users had EPAYS access when they did not need it, and others were granted access authorities greater than needed. Furthermore, some users continued to have access after they left the Agency or transferred to different job functions. EPAYS is used to process all EPA payroll and personnel-related data, and improperly managed access controls increase the potential for fraud, waste, and abuse of such data.

In addition, users were granted excessive access to EPAYS data sets that contained sensitive information. Many of these users generally needed access to some of the data sets but not all. Excessive access can result in EPA employees' personnel information being vulnerable to misuse or abuse, including identity theft.

The report included six recommendations to improve controls over access to EPAYS information. The recommendations focused on restricting access to only the information users need to perform their job functions. The Agency concurred with the recommendations and took a number of positive actions to correct the deficiencies identified in this report.