



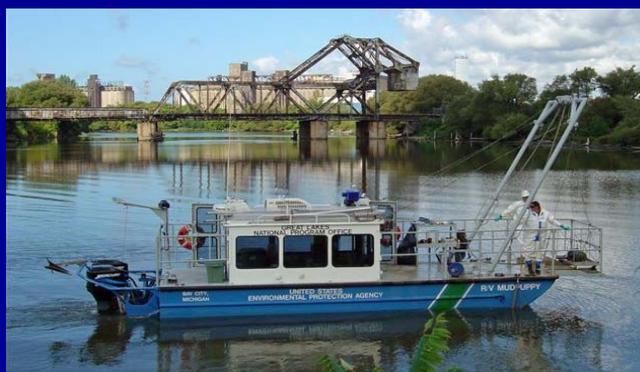
U.S. ENVIRONMENTAL PROTECTION AGENCY  
OFFICE OF INSPECTOR GENERAL

EPA-350-R 10-005  
November 2010

*Catalyst for Improving the Environment*

# Semiannual Report to Congress

April 1, 2010–September 30, 2010



# Index of Reporting Requirements

## Inspector General Act of 1978, as Amended

Requirement	Subject	Pages
Section 4(a)(2)	Review of legislation and regulations	36–37
Section 5(a)(1)	Significant problems, abuses, and deficiencies	5–6, 9–35
Section 5(a)(2)	Significant recommendations for corrective action	5–6, 9–31, 35
Section 5(a)(3)	Reports with corrective action not completed	60
Section 5(a)(3)	Peer reviews conducted	36
Section 5(a)(4)	Matters referred to prosecutive authorities	32–33, 43–44
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	45–47
Section 5(a)(7)	Summaries of significant reports	5–35
Section 5(a)(8)	Audit, inspection, and evaluation reports—questioned costs	39–41, 44–47
Section 5(a)(9)	Audit, inspection, and evaluation reports—funds to be put to better use	39–41, 44–47
Section 5(a)(10)	Prior audit, inspection, and evaluation reports unresolved	40–41, 48–59
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None

### Abbreviations

DCAA	Defense Contract Audit Agency
ECHO	Enforcement Compliance and History Online
EPA	U.S. Environmental Protection Agency
FY	Fiscal year
OIG	Office of Inspector General
OMB	Office of Management and Budget

**Cover photos:** *Left:* EPA should take additional steps to reduce urban air toxics (photo courtesy *Chicago Tribune*). *Right:* Projects such as the Great Lakes National Program Office’s habitat restoration in Buffalo, New York, present cross-media and cross-boundary challenges (EPA photo).

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

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



Printed on 100% recycled paper (minimum 50% postconsumer)

## Message to Congress

---

On June 22, 2010, I was honored to be confirmed by the United States Senate to serve as the fifth inspector general of the United States Environmental Protection Agency (EPA). The EPA's mission to protect public health and the environment is as important today as it was when the first EPA inspector general was appointed. As EPA strives to fulfill its mission, my office will be committed to contributing to EPA's success by assuring the public and Congress that EPA is delivering services and managing its resources in the most economical, efficient, and effective manner possible—free of fraud, waste, and abuse.

In working to meet our goals, the EPA Office of Inspector General (OIG) will be guided by the following three principles: deliver excellent customer service, operate with integrity, and promote accountability. As we work to help the Agency fulfill its mission, we will be transparent in our efforts. Our work will serve to highlight the areas in which EPA can improve, and we will strive to produce quality products in a timely manner.

Our work will be performed with integrity. It will be objective and fact based. We will continue to enhance our subject-matter expertise through training and skill development. It is also imperative that we demonstrate personal and professional ethics, so that the Agency, Congress, and the public can have confidence in what we do and say. We should be an agent for positive change, helping the Agency better perform its mission without sacrificing our independence.

As we hold others accountable for their efforts, we shall also hold ourselves accountable. The OIG should be a well-managed and reliable organization. I will work to ensure that we have systems and processes in place that provide strong support for our conclusions and recommendations. We will have metrics that will hold OIG senior leadership, as well as the rest of our staff, accountable for our work. We will also be accountable to the public and Congress for the proper use and prudent management of our own resources.

In my first few months at the EPA OIG, I have been impressed with the expertise and dedication of the talented staff. I look forward to working with them, and all of our customers, as we strive to help the Agency achieve its mission and improve our own internal operations. I thank all of them in advance for the hard work it will take to make this a reality.

During this semiannual reporting period, we issued six reports on EPA's efforts related to the American Recovery and Reinvestment Act of 2009. Two site inspections of Recovery Act grants did not disclose any issues that would require action from fund recipients or EPA. We also determined that EPA's weekly Recovery Act financial activity reports are accurate, timely, and transparent. We did note, however, that EPA did not complete

contractor performance evaluations in a timely and thorough manner. Even though EPA's controls for reviewing grantee and contractor recipient-reported data pursuant to the Recovery Act resulted in low error rates, improvements could enhance data accuracy.

We also found that EPA has not implemented key Clean Air Act requirements related to reducing risks from urban air toxics and identifying urban areas that continue to experience significant public health risks from air toxics exposures. We concluded that EPA does not have effective management controls to monitor the completion of Five-Year Review recommendations at federal government Superfund sites. Further, we determined that the national environmental structure created 40 years ago has resulted in a fragmented approach to environmental protection, and that new, large-scale environmental problems require coordinated efforts across government and stakeholder groups.

America is facing serious environmental challenges: climate change and improving air quality, protecting the nation's waters, cleaning up our communities, ensuring the safe use of chemicals, and enforcing environmental laws. EPA has a vital role in addressing these challenges. However, EPA also faces challenges in using its funds and accomplishing its mission in an efficient and effective manner. The OIG will do its best to help the Agency address the nation's critical environmental challenges by ensuring that Agency funds are properly expended to safeguard human health and the environment.



Arthur A. Elkins, Jr.  
Inspector General

# Table of Contents

<b>Arthur A. Elkins, Jr., Named Inspector General</b> .....	1
<b>About EPA and Its Office of Inspector General</b> .....	2
U.S. Environmental Protection Agency .....	2
EPA Office of Inspector General .....	2
Management Challenges for the Agency .....	3
<b>OIG Recovery Act Efforts</b> .....	4
OIG Conducts Outreach to Deter Fraud, Improve Efficiency .....	4
EPA Should Improve Evaluation of Contractor Performance.....	5
EPA Can Improve the Accuracy of Recovery Act Recipient Data.....	5
EPA OIG Responds to Congressional Request on Signage Requirements .....	6
Site Inspections of Recovery Act Projects Did Not Note Problems.....	7
EPA Submitted Accurate and Timely Financial Reports .....	8
Additional OIG Audits and Evaluations Underway .....	8
<b>Other Significant OIG Activity</b> .....	9
Air .....	9
Water.....	10
Superfund/Land.....	11
Research and Development.....	16
Enforcement .....	17
Cross-Media .....	18
Special Reviews .....	20
Grants and Contracts .....	24
Forensic Audits.....	25
Risk Assessment and Program Performance .....	27
Information Resources Management .....	28
Investigations .....	32
Legal Reviews .....	34
Chemical Safety and Hazard Investigation Board.....	35
Other Activities .....	36

*continued*

<b>Statistical Data</b> .....	39
Profile of Activities and Results .....	39
Audit, Inspection, and Evaluation Report Resolution .....	40
Hotline Activity .....	42
Summary of Investigative Results .....	43
Scoreboard of Results .....	44
<b>Appendices</b> .....	45
Appendix 1 - Reports Issued .....	45
Appendix 2 - Reports Issued Without Management Decisions .....	48
Appendix 3 - Reports With Corrective Action Not Completed .....	60
Appendix 4 - OIG Mailing Addresses and Telephone Numbers.....	61

# Arthur A. Elkins, Jr., Named Inspector General

On June 22, 2010, the United States Senate confirmed Arthur A. Elkins, Jr., as inspector general of the U.S. Environmental Protection Agency (EPA).

Before his appointment, Mr. Elkins served as associate general counsel in EPA's Office of General Counsel. While in that position, he supervised the delivery of legal counsel, opinions, litigation support, and other legal services for the Office of General Counsel's information law practice, employment law practice, and intellectual property law practice.

Previously, Mr. Elkins served as the chief legal officer and general counsel for the Court Services and Offender Supervision Agency; counsel to the inspector general of the National Science Foundation; and counsel to the U.S. Department of Defense, Defense Office of Hearings and Appeals.

Prior to joining the federal government, Mr. Elkins served as an assistant prosecuting attorney in the Ohio Cuyahoga County Prosecutor's Office and as an assistant public defender in the Ohio Cuyahoga County Public Defender's Office.

Mr. Elkins earned a bachelor's degree in social science from Thomas A. Edison State College; a Master of Business Administration degree from Baldwin-Wallace College; a Juris Doctor degree from Cleveland-Marshall College of Law, Cleveland State University; and a Master of Laws in law and government from Washington College of Law, The American University.

Mr. Elkins is a member of the bar in Ohio, the District of Columbia, the United States District Court for Northern Ohio, the United States Court of Appeals for the Sixth Circuit, and the Supreme Court of the United States of America.

Mr. Elkins is the recipient of the Council of Counsels to the Inspectors General's Leadership Award, the Federal Executive Council on Integrity and Efficiency Award for Excellence in Investigations, and the National Science Foundation Office of Inspector General Commendable Service Award.



Arthur A. Elkins, Jr.

# About EPA and Its Office of Inspector General

## U.S. Environmental Protection Agency

The mission of EPA is to protect human health and the environment. As America's steward for the environment since 1970, EPA has endeavored to ensure that the public has air that is safe to breathe, water that is clean and safe to drink, food that is free from dangerous pesticide residues, and communities that are protected from toxic chemicals. EPA has requested \$10.02 billion in discretionary budget authority for fiscal year (FY) 2011. In addition to its annual budget, EPA received \$7.2 billion under the American Recovery and Reinvestment Act of 2009.

## EPA Office of Inspector General

The Office of Inspector General (OIG) is an independent office of EPA that detects and prevents fraud, waste, and abuse to help the Agency protect human health and the environment more efficiently and cost effectively. Although we are part of EPA, Congress provides us with a budget line item separate from the Agency's to ensure our independence. The EPA OIG was created and is governed by the Inspector General Act of 1978 (P.L. 95-452). The original act has been amended a number of times. OIG staff are physically located at headquarters in Washington, DC; at the regional headquarters offices for all 10 EPA regions; and other EPA locations including Research Triangle Park, North Carolina, and Cincinnati, Ohio.

On September 29, 2010, Congress passed H.R. 3081, the Continuing Appropriations Act of 2011. This continuing resolution provides funding to the federal government through December 3, 2010, at the FY 2010 enacted level. The president signed the bill (P.L. 111-242) on September 30, 2010. The enacted budget for FY 2010 was \$54,766,000, and the proposed budget for FY 2011 is \$55,802,000. In addition, the Recovery Act provided the EPA

### EPA OIG Vision and Mission

#### ***Vision***

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

#### ***Mission***

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

OIG \$20 million through September 30, 2012, for oversight and review of the Agency's Recovery Act activities and expenditures. As of September 30, 2010, the OIG expended \$8.7 million in Recovery Act funds. Details on our Recovery Act efforts begin on page 4.

## Management Challenges for the Agency

Following is a summary of the FY 2010 key management challenges that we provided to EPA Administrator Lisa P. Jackson on May 11, 2010. The OIG defines management challenges as a lack of capability derived from internal self-imposed constraints or, more likely, externally imposed constraints that prevent EPA from reacting effectively to a changing environment. The FY 2010 challenges listed below are based primarily on our audit, evaluation, and investigative work. The last three challenges listed are new.

- The need for a national environmental policy
- Improving water and wastewater infrastructure
- Oversight of delegations to states
- Safely reusing of contaminated sites
- Securing Agency network resources and responding to cyber attacks
- Reducing domestic greenhouse gas emissions
- EPA's framework for assessing and managing chemical risks

Our memorandum to the Administrator is at

[http://www.epa.gov/oig/reports/2010/EPA\\_FY2010\\_ManagementChallenges.pdf](http://www.epa.gov/oig/reports/2010/EPA_FY2010_ManagementChallenges.pdf).

# OIG Recovery Act Efforts

The American Recovery and Reinvestment Act of 2009, signed by President Obama on February 17, 2009, provides the EPA OIG \$20 million for oversight activities through September 30, 2012. The OIG is conducting audits, investigations, and other reviews to ensure economy and efficiency and to prevent and detect fraud, waste, and abuse in EPA's disbursement of the \$7.2 billion the Agency received under the Recovery Act. Reports on our findings are posted on our website at <http://www.epa.gov/oig/recovery.htm>. An assessment of EPA's progress after the first year of Recovery Act funding, based on the OIG's work, is at [http://www.epa.gov/oig/reports/2010/ARRA\\_One-Year\\_Overview\\_Report-March\\_2010.pdf](http://www.epa.gov/oig/reports/2010/ARRA_One-Year_Overview_Report-March_2010.pdf). The OIG reviews, as appropriate, concerns raised by the public about specific investments using Recovery Act funds. Individuals may report any suspicion of fraud, waste, or abuse of EPA stimulus funds via the OIG Hotline. Any findings of such reviews not related to ongoing criminal proceedings will also be posted on our website. Details on Recovery Act efforts to date follow.



## OIG Conducts Outreach to Deter Fraud, Improve Efficiency

The OIG Office of Investigations has implemented a three-pronged approach—education, outreach, and investigations—to spread the word about the requirements of the Recovery Act and deter and detect fraud schemes. A key goal is to educate stakeholders and provide resources to help them use funds appropriately. The office has provided Recovery Act-specific fraud training and presentations to Agency personnel; state, tribal, and local officials; contractors; and grant recipients. The office has provided over 125 briefings across the country. As an example of a positive outcome, an engineer who attended an OIG Recovery Act session from a western locality contacted the Office of Investigations when allegations of fraud related to a Recovery Act-funded project came to the engineer's attention. Upon subsequent contact and reviewing additional information, the locality terminated the contract and avoided expending approximately \$3.4 million in Recovery Act funds.

In addition, the office has developed fraud awareness and education resources, including pamphlets, posters, briefings, and webinar broadcasts. We have distributed over 6,000 pamphlets, posters, and Hotline cards to Agency personnel, state and tribal administrators, contractors, and grant recipients. Brochures and information on training opportunities are available on our website at [http://www.epa.gov/oig/recovery\\_trng.htm](http://www.epa.gov/oig/recovery_trng.htm).

## EPA Should Improve Evaluation of Contractor Performance

Because EPA did not complete contractor performance evaluations in a timely manner and with complete information, the Agency risked providing funds to contractors with a history of cost control and performance issues.

In July 2009, EPA decided to obligate approximately \$211 million in Recovery Act funds to Superfund contractors. Contracting officers are required to complete and document performance evaluations for contractors awarded Recovery Act funds within 95 business days after each 12 months of contract performance.

EPA had not completed in a timely manner 83 percent of the required performance evaluations for contractors awarded Recovery Act funds. On average, EPA completed the evaluations 109 business days late, generally because there was no system to monitor evaluation timeliness. Further, contracting officers did not consider all available sources of information when preparing the performance evaluations. EPA awarded \$109 million in Recovery Act funds to contractors with cost control and performance issues. In one instance, the contractor's past performance evaluation information was not available to EPA when it awarded a new Recovery Act contract totaling \$5.4 million.

We recommended that EPA develop a system to monitor and verify the timeliness of performance evaluations, revise quality assurance plan requirements, maintain reports in an electronic system that contracting officers can access, and require contracting officers to consider annual performance evaluation results. EPA agreed with our recommendations.

*(Report No. 10-R-0113, EPA Should Improve Its Contractor Performance Evaluation Process for Contractors Receiving Recovery Act Funds, April 26, 2010—Report Cost: \$429,334)*

## EPA Can Improve the Accuracy of Recovery Act Recipient Data

EPA's controls for reviewing grantee and contractor recipient-reported data pursuant to the Recovery Act resulted in low error rates. However, improvements could enhance data accuracy.

The Recovery Act provides that the use of Recovery Act funds should be transparent and reported clearly, accurately, and in a timely manner. The Office of Management and Budget (OMB) issued government-wide guidance for carrying out the Recovery Act reporting requirements included in section 1512 of the Recovery Act.

For the recipient-reported data fields that OMB identified as those for which there are major concerns for significant reporting errors, we identified errors in 3 percent of recipient entries. While EPA did not identify any of these errors as significant, we believe two of the errors are significant. We also identified errors in other fields that OMB did not identify as major concerns for significant reporting errors. In addition, EPA's reference guide was not specific for some key data fields, leaving recipients to interpret how to report information. Further, EPA allowed program offices to adopt their own action limits for identifying errors, resulting in some discrepancies.

We recommended that EPA develop an Agency-wide threshold for identifying significant errors for those fields OMB identified as major concerns, clarify the reference guide to reduce the incidence of varying interpretations, and adopt a policy to investigate all differences between what recipients report for their award amount and what EPA has recorded in its information systems. EPA agreed with the findings and provided corrective actions plans or acceptable alternatives.

*(Report No. 10-R-0234, EPA Effectively Reviewed Recovery Act Recipient Data but Opportunities for Improvement Exist, September 27, 2010—Report Cost: \$278,859)*

## EPA OIG Responds to Congressional Request on Signage Requirements

EPA required most Recovery Act recipients to post signs indicating that the projects were funded through the Recovery Act.

On June 24, 2010, a congressional request asked the Recovery Accountability and Transparency Board for information on signage requirements for recipients of Recovery Act funds. The board asked various OIGs, including the EPA OIG, to respond directly to the request.

In response to the questions asked, we found that:

- EPA developed two forms of guidance that discuss the need for recipients to display a Recovery Act logo to communicate to the public that the project is a Recovery Act investment.
- Generally, the terms and conditions sections of EPA's assistance agreements require Recovery Act fund recipients to post identifying signs, logos, or emblems.



Sign identifying a water project in New Hampshire funded by the Recovery Act. (EPA OIG photo)

- The Diesel Emissions Reduction Act and Leaking Underground Storage Tank program offices relaxed the requirement that recipients post signs, logos, or emblems identifying the expenditure of Recovery Act funds.
- As of July 2010, EPA did not have information on the total cost of posting signs, logos, or emblems related to the Recovery Act; recipients are not required to report this information.

*(Report No. 10-X -0175, Response to Congressional Request on Signage Requirements for Projects Funded by the Recovery Act, August 2, 2010)*

## Site Inspections of Recovery Act Projects Did Not Note Problems

As part of OIG efforts to ensure that EPA is spending its Recovery Act funds in accordance with requirements, we are conducting a number of site inspections. For two site inspections completed during the semiannual reporting period, nothing came to our attention that would require action from the fund recipients or EPA.

The City of Newark, Ohio, received a \$20.4 million loan from Ohio under the Clean Water State Revolving Fund program, including \$5 million in EPA Recovery Act funds for principal forgiveness. The city will construct a high-rate treatment facility at its wastewater treatment plant. As part of our inspection, we toured the project, interviewed city representatives and contractor personnel, and reviewed documentation related to



Wastewater treatment facility under construction in the City of Newark, Ohio. (EPA OIG photo)

Recovery Act requirements. Nothing came to our attention that would require action from the city, state, or EPA. *(Report No. 10-R-0147, American Recovery and Reinvestment Act Site Inspection of the High-Rate Water Treatment Facility, City of Newark, Ohio, June 16, 2010—Report Cost: \$117,789)*

The City of Bremerton, Washington, received a \$6.06 million loan from the State of Washington under the Drinking Water State Revolving Fund program. The loan terms include a \$60,000 loan fee and 100 percent forgiveness on the \$6 million principal funded by the

Recovery Act. The purpose of the project is to design and construct an ultraviolet treatment and chlorine disinfection facility. As part of our inspection, we toured the future site of the facility, interviewed city representatives, and reviewed documentation related to Recovery Act requirements. Nothing came to our attention that would require action. *(Report No. 10-R-0132, American Recovery and Reinvestment Act Site Inspection of the Ultraviolet Treatment and Chlorine Disinfection Facility Project, City of Bremerton, Washington, May 26, 2010—Report Cost: \$51,176)*

## EPA Submitted Accurate and Timely Financial Reports

EPA's weekly Recovery Act financial activity reports are accurate, timely, and transparent.

The Recovery Act provided EPA with \$7.22 billion for specific programs. OMB guidance requires federal agencies, including EPA, to report weekly on the cumulative Recovery Act funds obligated and expended and post reports on the Internet for public access and transparency.

EPA complied with requirements in its weekly financial activity reporting and submitted accurate and timely financial reports. EPA ensured its financial reporting was transparent to the public by posting data to the EPA Recovery Act website and submitting data to the Recovery Accountability and Transparency Board for posting to a government-wide website.

*(Report No. 10-R-0151, EPA Submitted Accurate and Timely Recovery Act Financial Reports, June 22, 2010—Report Cost: \$104,776)*

## Additional OIG Audits and Evaluations Underway

The OIG has initiated additional audits and evaluations on the following activities to determine whether EPA and funding recipients manage projects effectively and meet Recovery Act objectives:

- EPA's Recovery Act targeting criteria
- Recovery Act Diesel Emission Retrofit Program
- EPA's use of interagency agreements for Recovery Act activities
- EPA's resource allocation for Recovery Act contract and assistance agreement oversight
- EPA and state oversight of Recovery Act Clean Water State Revolving Fund projects
- Recovery Act stewardship plan for Superfund remedial program contracts
- Oversight of Leaking Underground Storage Tank Program
- Requirements applicable to subrecipients under the State Revolving Funds
- Testing of Recovery Act financial transactions (as part of our annual financial statement audit)

# Other Significant OIG Activity

## Air

*Helping to make air safe and healthy to breathe*

### Key Activities in EPA's Air Toxics Strategy Remain Unimplemented

EPA has not implemented key Clean Air Act requirements related to reducing risks from urban air toxics and identifying urban areas that continue to experience significant public health risks from air toxics exposures.

The Clean Air Act Amendments of 1990 required EPA to develop a strategy to reduce public health risks from air toxics emissions in urban areas. EPA issued its Integrated Urban Air Toxics Strategy in 1999. However, EPA has not implemented key requirements of the act, including submitting a second report to Congress (due in 2002) identifying urban areas that continue to experience significant public health risks from air toxics. In addition, 10 years after issuing the 1999 strategy, EPA has not implemented key strategy activities. For example, EPA has not established baseline risk data to measure progress in reducing air toxics risks and thus has not tracked progress.



Stationary and mobile sources in Chicago, Illinois. (Photo courtesy *Chicago Tribune*)

Further, although EPA determined in 2001 that a risk-based program is necessary to meet the goals of the strategy, EPA has not yet determined whether it has the statutory authority to require state and local agencies to implement such a program. Many state and local agencies do not have their own risk-based programs or have laws preventing them from implementing environmental regulations stricter than EPA's regulations. Given the length of time since the strategy was developed and the problems EPA has encountered in its implementation, EPA should reassess and update its approach to addressing urban air toxics.

We recommended that EPA submit the required second report to Congress, which should identify urban areas that continue to experience significant public health risks from air toxics exposure, EPA's plans to reduce risks in those areas, and the factors that have hindered implementing the strategy; and determine how EPA will measure progress in meeting strategy goals. The Agency commented that EPA has made "significant strides in reducing air toxics," and that delays were due in part to reduced funding. The Agency agreed that much remains to be done to ensure clean air for all Americans, particularly those living in urban areas.

*(Report No. 10-P-0154, Key Activities in EPA's Integrated Urban Air Toxic Strategy Remain Unimplemented, June 23, 2010—Report Cost: \$586,976)*

## Water

*Helping to ensure that drinking water is safe and waterbodies are protected*

The following report summaries, included in other sections, specifically address water issues:

- “Site Inspections of Recovery Act Projects Did Not Note Problems” (page 7)
- “EPA Provides Limited Assurance on Contamination at North Carolina Site” (page 12)
- “Clean Water Act Memoranda of Agreement Should Be Revised as Needed” (page 17)
- “EPA Should Recover Questioned Costs Claimed by Alaska Native Tribal Health Consortium” (page 25)
- “Laboratory Owner Sentenced for Fabricating Documentation” (page 33)

## Superfund/Land

*Improving waste management and clean-up*

### EPA Should Improve Oversight of Reviews at Federal Superfund Sites

EPA does not have effective management controls to monitor the completion of Five-Year Review recommendations at federal government Superfund sites.

Prior studies have identified weaknesses in EPA's Superfund Five-Year Review—a required process that examines the cleanup remedies at Superfund sites to determine whether remedies adequately protect human health and the environment.

For Five-Year Reviews signed since 2006, 84 percent of the review recommendations were overdue as of April 28, 2009. EPA regional staff do not consistently follow

**Federal facility National Priority List sites**

Federal agency	Sites	Percent
U.S. Department of Defense	140	81.4
U.S. Department of Energy	21	12.2
Other	11	6.4
<b>Total</b>	<b>172</b>	<b>100</b>

Source: EPA.

Superfund review process guidance and policies for updating the status of review issues and recommendations in the Comprehensive Environmental Response, Compensation, and Liability Information System. Also, discrepancies in the presentation of issues and recommendations exist between the reviews and the information system, some data in the information system are logically inconsistent, and recommendations

from prior reviews are not always closed out. Also, federal facilities are responsible for their own reviews, and EPA's management of the concurrence process has resulted in some reviews being conducted more than 5 years apart and some issues not being addressed.

We recommended that EPA implement improved management controls to monitor and ensure timely submission of federal facility reviews, improve the management of the concurrence process, clarify and describe enforcement options, and improve data quality. EPA agreed with all recommendations and proposed actions to address them.

*(Report No. 10-P-0133, EPA Should Improve Its Oversight of Federal Agency Superfund Reviews, June 2, 2010—Report Cost: \$971,193)*

## EPA Provides Limited Assurance on Contamination at North Carolina Site

The water and air quality sampling EPA conducted at the Mills Gap hazardous waste site near Asheville, North Carolina, has provided limited assurance of the extent of water and air contamination and risk at the site.

The site has been in North Carolina’s hazardous waste cleanup program since 1993. EPA Region 4 has carried out emergency response actions at the site since 1999. These actions included providing an alternative drinking water source for residents with unsafe levels of the chemical trichloroethylene, or TCE, in their drinking water.

In the records the OIG reviewed, Region 4 adhered to accepted standards and practices in conducting its drinking water sampling in 2008–2009 and air sampling in 2007–2008. However, the limited scope of Region 4’s past sampling activities and oversight kept the



Former facility at the Mills Gap hazardous waste site, Asheville, North Carolina. (EPA photo)

region from detecting groundwater contamination in drinking water wells, and an ineffective response action has not addressed the potential air quality risk that remains. Also, Region 4’s letters to affected residents on sampling results contained jargon and technical language and did not clearly communicate safety issues. Further, Region 4’s community involvement plan did not reflect all site activities and did not include a communication strategy, and Region 4 staff have not always documented conversations with residents or site visits.

We recommended that Region 4 develop a plan for site transition to the state, clarify resident communications, update the community involvement plan, and improve recordkeeping. Region 4 generally agreed with five of our six recommendations and developed an acceptable corrective action plan for one recommendation that required further review in response to site events. The acting regional administrator said the region “will do everything within our authority to ensure the safety of the residents in the Mills Gap area.” In September 2010, Region 4 announced its plans to propose that the site be placed on the National Priorities List.

*(Report No. 10-P-0130, EPA Activities Provide Limited Assurance of the Extent of Contamination and Risk at a North Carolina Hazardous Waste Site, May 17, 2010—Report Cost: \$382,254)*

## Improved Oversight Needed at Bruin Lagoon Superfund Site

Pennsylvania did not collect ground water samples from the Bruin Lagoon Superfund site in Bruin, Pennsylvania, for 6 years, from 2001 to 2007. EPA Region 3 decided not to require the state to conduct the sampling.

The OIG is testing long-term monitoring results at Superfund sites that EPA has deleted from the National Priorities List. Bruin Lagoon was added to the Superfund National Priorities List in 1983 and was deleted in 1997.

EPA Region 3 managers told the OIG that they made a deliberate, but undocumented, decision to not use oversight authority to require the state to conduct ground water sampling at the site. In June 2007, Pennsylvania resumed ground water sampling at the site. The region's 2009 Five-Year Review indicated that the site was protective of human health and the environment. However, gaps in long-term monitoring may result in a failure to detect conditions that show a cleanup remedy is not protecting human health and the environment. We also noted that transcription errors in data were found in the region's 2004 Five-Year Review that were carried over into the most recent 2009 Five-Year Review, due to a lack of quality assurance procedures to check summary data generated from laboratory reports.

We recommended that Region 3 improve its oversight, acknowledge and correct data errors in Five-Year Reviews, and ensure accuracy of data used in site protectiveness decisionmaking. Region 3 agreed with the recommendations and proposed acceptable corrective actions.

*(Report No. 10-P-0217, EPA Should Improve Oversight of Long-term Monitoring at Bruin Lagoon Superfund Site in Pennsylvania, September 8, 2010—Report Cost: \$375,007)*

## Improved Oversight Needed at PAB Oil Superfund Site

Our independent ground water sampling results from the PAB Oil and Chemical Services, Inc., Superfund site in Abbeville, Louisiana, were consistent with Region 6's valid historical results. Region 6 accepted two types of invalid ground water data at the site and included that invalid data in its analyses.

OIG is testing long-term monitoring results at Superfund sites EPA has deleted from the National Priorities List. EPA placed PAB Oil on the Superfund National Priorities List in 1989 and deleted it in 2000.

For two wells, data were collected on stagnant water at the bottom of the wells, below screen openings where the water enters the wells. Consequently, data on both water

quality and water levels were collected contrary to accepted procedures and were invalid. Region 6 said it was aware of the declined water level condition, but noted it had data from other wells that were sufficient to determine the direction of ground water flow and



Monitoring well MW-7 at the remediated PAB Oil site. (EPA OIG photo)

that the remedy was protective of human health and the environment. We agree that the invalid data did not have adverse implications for the region's protection decision because ground water flows past these two wells before flowing under the area where contaminated soils and wastes were capped. However, should ground water conditions change, the invalid data could impede the region's ability to determine whether the site's cleanup remedy is still protective and whether the network of ground water monitoring wells remains effective.

We recommended that Region 6 improve its oversight by amending the site's Five-Year Review to identify invalid data and modifying the long-term monitoring plan. Region 6 committed to completing actions that would meet the intent of both recommendations. In its final response to this report, Region 6 should provide a corrective actions plan for both recommendations.

*(Report No. 10-P-0229, EPA Should Improve Oversight of Long-Term Monitoring at PAB Oil and Chemical Services, Inc., Superfund Site in Louisiana, September 21, 2010—Report Cost: \$202,633)*

### **EPA's Data at Wheeler Pit Superfund Site Generally Confirmed**

With minimal exceptions, our independent sampling results at the Wheeler Pit Superfund Site near Janesville, Wisconsin, were consistent with the sampling results that EPA Region 5 has obtained historically.

The OIG is testing long-term monitoring results at Superfund sites EPA has deleted from the National Priorities List. Wheeler Pit was added to the National Priorities List in 1984 and was deleted in 2004.

In May 2008, the OIG obtained site ground water samples and a sample from a nearby residential well and conducted a site inspection. Among 135 contaminants, OIG results for 8 were different from the region's results for some wells, but none of the differences had adverse implications for site protectiveness. The site was properly maintained and secured. We found excess levels of di(2-ethylhexyl) phthalate, or DEHP, in one residential well, but it was unclear whether the excess levels had implications for site protectiveness. The OIG notified the resident in coordination with Region 5.

We recommended that EPA Region 5 conduct additional sampling on the residential well. Region 5 concurred with our findings and recommendation and proposed an acceptable corrective action.

*(Report No. 10-P-0218, Independent Ground Water Sampling Generally Confirms EPA's Data at Wheeler Pit Superfund Site in Wisconsin, September 8, 2010—Report Cost: \$359,852)*

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

- **Page 16, “Research and Development Performance Measures Need Improvement”**
- **Page 23, “Region 6 Should Improve Oversight Practices”**
- **Page 26, “Reimbursement Claims for Cleanup at Superfund Sites Reviewed”**

## Research and Development

*Helping EPA improve its research and development efforts and ensure sound science*

### Research and Development Performance Measures Need Improvement

EPA's Land Research Program needs performance measure improvements to better enable the Office of Research and Development to assess the effectiveness of research products.

The Land Research Program provides the science and technology to help its clients preserve the nation's land, restore contaminated properties, and protect public health from exposure to environmental contaminants. Because no single measure can adequately capture all elements of research performance, the program has employed a variety of methods to assess performance, including OMB's Program Assessment Rating Tool measures, client feedback, and peer review by the Board of Scientific Counselors.

We found that improvements were needed in all three areas to better enable the Office of Research and Development to assess the Land Research Program's effectiveness. For



EPA scientist performing a chemical assay. (EPA photo)

example, the program did not have measures that assessed progress toward the short-term outcomes in its multiyear plan. Additionally, citation analysis Program Assessment Rating Tool measures for the program were not meaningful to program managers and were not linked to program goals and objectives. Moreover, as implemented, EPA's survey of program clients was not reliable because EPA did not identify the universe of clients, conduct a representative sample, or obtain a sufficient number of responses. Further, the program lacked some key measures and data that would aid the Board of Scientific Counselors in conducting its peer reviews of the program. Collectively, the Land Research Program's performance measures have not provided it with the data to assess progress toward goals, identify areas for improvement, or track the short-term outcomes of its research.

We recommended that EPA develop measures linked to the short-term outcomes in the Land Research Program's multiyear plan, augment the program's citation analysis with more meaningful measures, develop a reliable client survey or an alternative, provide appropriate performance measurement data to the Board of Scientific Counselors prior to full program reviews, and revise its long-term goal rating guidance to that board. EPA generally agreed with our recommendations and is taking action to implement most of them. For some recommendations, EPA is awaiting additional guidance from OMB.

*(Report No. 10-P-0176, EPA's Office of Research and Development Performance Measures Need Improvement, August 4, 2010—Report Cost: \$1,149,970)*

## Enforcement

*Helping to improve compliance with environmental requirements*

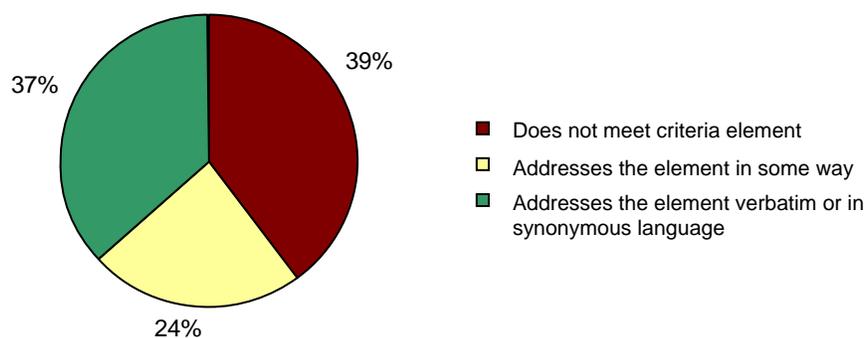
### Clean Water Act Memoranda of Agreement Should Be Revised as Needed

Outdated and inconsistent National Pollutant Discharge Elimination System memoranda of agreement do not ensure Agency management control and effective oversight over a national program administered by states and, therefore, do not provide equal protection to all Americans.

The Clean Water Act allows EPA to authorize states to operate the National Pollutant Discharge Elimination System program if states meet certain criteria. States cannot operate such programs on behalf of EPA without authorizing and implementing proper memoranda of agreement.

EPA headquarters does not hold EPA regional or state offices accountable for updating their memoranda of agreement. When these memoranda are outdated or not adhered to, EPA's ability to maintain a uniform program across states is reduced. We found that 74 percent of active memoranda of agreement were authorized prior to 2000; 35 percent were signed in the 1970s. Based on a review of 46 criteria from the Code of Federal Regulations, we found that memoranda of agreement were missing key requirements and lacked memoranda of agreement-specific program regulations.

#### Degree to which agreements meet regulatory requirements for 46 criteria



Source: OIG assessment of agreements.

We recommended that EPA ensure that all memoranda of agreement contain the required essential elements for a nationally consistent enforcement program, develop a national template and/or guidance, and update outdated or inconsistent memoranda of agreement. The Agency generally agreed with our recommendations.

*(Report No. 10-P-0224, EPA Should Revise Outdated or Inconsistent EPA-State Clean Water Act Memoranda of Agreement, September 14, 2010—Report Cost: \$660,519)*

## Cross-Media

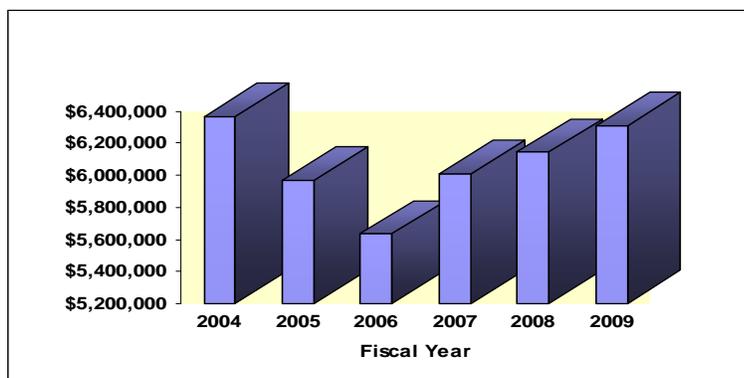
*Evaluating nontraditional approaches to protecting the environment and challenges that cut across programs*

### EPA Needs a Strategic Plan to Protect Children’s Health

Five years after the OIG provided the EPA Office of Children’s Health Protection with recommendations related to the strategic and annual planning processes, agreed-to corrective actions have not been completed.

The Office of Children’s Health Protection was established in 1997 to formalize and integrate EPA’s efforts on behalf of children. The role of the office is to coordinate efforts with other government agencies and to carry out Executive Order 13045 and the National Agenda to Protect Children’s Health from Environmental Threats.

**Agency budget for children and other sensitive populations, FYs 2004–2009**



Source: OIG.

According to the office, which is now the Office of Children’s Health Protection and Environmental Education, agreed-to corrective actions have not been implemented due to constant turnover in office directors. We concluded that the office’s lack of strategic planning, identified goals, adequate measures, and quantifiable accomplishments resulted in its inability to demonstrate its role and value added. We also concluded that the Agency’s new five-point agenda for protecting children’s health requires a reevaluation of the office’s role and areas of responsibility.

We recommended that EPA implement corrective actions previously agreed to, which include developing a strategic plan, improving annual planning, establishing measures, and reporting its results and outcomes, or have other program offices perform the functions. The Agency agreed with our recommendations and implemented corrective actions that meet the intent of our recommendations.

*(Report No. 10-P-0095, Need Continues for a Strategic Plan to Protect Children’s Health, April 5, 2010—Report Cost: \$201,257)*

## **EPA's BioWatch Role Reduced**

EPA's role regarding the BioWatch program has been significantly reduced since the last OIG review of the program in 2005.

This report follows up on the 2005 OIG report, *EPA Needs to Fulfill Its Designated Responsibilities to Ensure Effective BioWatch Program*. In that report, we found that EPA did not provide adequate oversight of BioWatch sampling operations and did not ensure that quality assurance guidance was followed.

Since 2005, the U.S. Department of Homeland Security has assumed control of the major parts of the BioWatch program for which EPA was initially responsible, and the Centers for Disease Control and Prevention took up other EPA responsibilities. Because EPA's role has been reduced, followup on the recommendations in our previous report is no longer required, and this report made no recommendations.

*(Report No. 10-P-0106, EPA's BioWatch Role Reduced, April 20, 2010—Report Cost: \$158,446)*

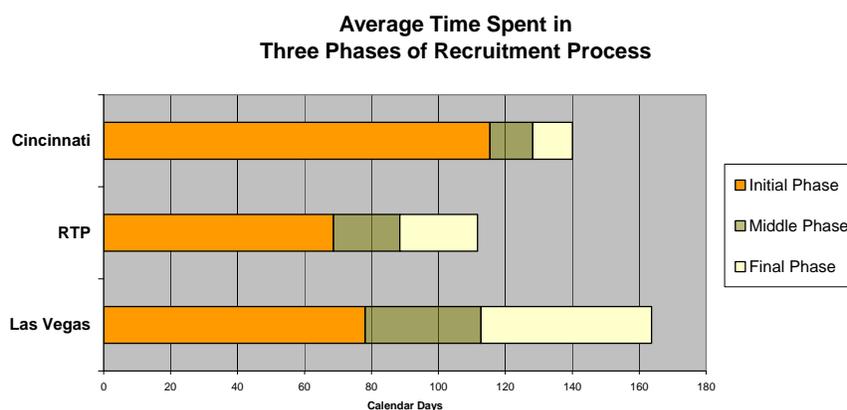
## Special Reviews *Reviewing issues of fraud, waste, and misuse in EPA programs*

### Improvements Needed for EPA's Revised Hiring Process

EPA had not implemented critical technology upgrades or obtained other resources necessary for the service center concept to succeed.

The Office of Administration and Resources Management revised EPA hiring procedures in June 2008 when it consolidated the processing of personnel actions from 15 locations across the country to 3 service centers. These procedures must comply with pertinent requirements, including those imposed by the Office of Personnel Management.

EPA produced three reports, including its 2007 business case, that identified key factors for a successful transition to the service center concept. However, EPA management implemented the transition without obtaining some of these key capabilities, including electronic infrastructure. As a result, the new process to fill vacant positions falls significantly short of Office of Personnel Management timeliness goals and does not consistently provide program managers with the best candidates. EPA was taking an average of 141 days to fill vacant positions for the sample actions when the Office of Personnel Management goal was 80 days; thus, EPA exceeded the timeliness goal by 61 days.



Source: OIG analysis of sample items.

We recommended that EPA officials determine the scope of services to be obtained from a line-of-business provider, select the provider, and develop and implement a plan to migrate to the provider. We made additional recommendations related to improving the hiring process. Agency officials agreed with most of our recommendations but

disagreed with one regarding changes to the *EPA Reorganization Policy* and part of another recommendation regarding processing appointment actions.

*(Report No. 10-P-0177, EPA's Revised Hiring Process Needs Additional Improvements, August 9, 2010—Report Cost: \$805,400)*

## Region 9 Engaged in a Prohibited Personnel Practice

We found that the abuse of authority alleged in an August 2009 Hotline complaint regarding how Region 9 conducted hiring under the Federal Career Intern Program was unsubstantiated, but we did find that Region 9 engaged in a prohibited personnel practice.

EPA Region 9 held a job fair in San Francisco, California, on July 28–30, 2009. EPA provided only job fair participants with the registration code needed to apply for the four intern program vacancies. The Federal Career Intern Program has few requirements, but agencies must still meet Merit System Principles. Based on the complaint, we sought to determine whether the region's use of a job fair and registration code was inappropriate, and whether opening a vacancy announcement for only 4 calendar days (2 business days) denied potential applicants the opportunity to apply for the positions.

Regarding the Hotline allegations, neither the Office of Personnel Management nor EPA prohibits the use of a job fair and registration code as recruiting and hiring methods, nor do they require a minimum number of days for performing applicant intake. Therefore, the specific allegations were unsubstantiated.

However, Region 9 engaged in a prohibited personnel practice by giving four Federal Career Intern Program job fair participants improper advantages not provided to others attending the fair. Records show that these four individuals were favored for hire and offered paid travel to the job fair by Region 9 before the fair or vacancies were publicly announced, advantages not offered to other applicants. Additionally, based on concerns about sparse attendance and outreach at a prior Region 9 job fair, the EPA Shared Service Center, which is responsible for overseeing the region's recruiting and hiring, did not provide sufficient oversight of the region's job fair process.

We recommended that the Region 9 administrator take appropriate administrative actions against the individuals who engaged in a prohibited personnel practice. Region 9 did not agree with the report's conclusions and its comments were not responsive to this recommendation; as such, we referred this matter to the U.S. Office of Special Counsel. We also recommended that the assistant administrator for administration and resources management require that job fair plans be approved by senior management hosting the job fair and verify that current oversight processes provide assurance that EPA does not engage in prohibited personnel practices.

*(Report No. 10-P-0112, Results of Hotline Complaint Review of EPA Region 9 Hiring under the Federal Career Intern Program, April 26, 2010—Report Cost: \$219,573)*

## Scientific Analysis of Perchlorate Supports a Cumulative Risk Assessment Approach

EPA should conduct a cumulative risk assessment to reduce the uncertainty in characterizing the public health risk posed by perchlorate.

Over the last two decades, EPA has received numerous recommendations to improve environmental risk assessments. However, EPA continues to rely on the outdated single chemical risk assessment approach to characterize the risk posed by perchlorate. Prior to the issuance of our draft report, EPA issued a perchlorate reference dose (generated from the National Academy of Sciences) that was derived from a nonadverse biological effect instead of an adverse effect. Prior to the issuance of the final report, EPA was considering regulating perchlorate to protect against all human biological effects from exposure, which is a stricter public health criterion than limiting environmental exposure to protect against adverse effects in humans. This shift in risk management constituted a significant change in environmental policy. EPA is considering the findings in the final report in its pending regulatory determination on whether to issue a national primary drinking water regulation.

Our scientific analysis showed that perchlorate is only one of several chemicals that stress the thyroid's ability to uptake iodide. The other sodium iodide symporter stressors include thiocyanate, nitrate, and the lack of iodide. All four of these stressors meet EPA's risk assessment guidance for conducting a cumulative risk assessment using the dose-addition method. Our analysis implemented a cumulative risk assessment and found that:

- The risk from each of the four sodium iodide symporter stressors is not equal.
- EPA's perchlorate reference dose is conservative and protective of human health, and further reducing the perchlorate exposure below the reference dose does not effectively lower risk.
- Increasing maternal total iodide intake to healthy levels will reduce the frequency and severity of permanent mental deficits in children.
- Correcting moderate and mild iodide deficiency occurring in about 29 percent of the U.S. pregnant and nursing population is the most effective approach for reducing risk.

*(Report No. 10-P-0101, Office of Inspector General Scientific Analysis of Perchlorate, April 19, 2010—Report Cost: \$263,907)*

## Region 6 Should Improve Oversight Practices

Region 6's documentation of its oversight was not sufficient to determine whether allegations that the New Mexico Environment Department mismanaged the Sandia National Laboratory's Mixed Waste Landfill monitoring wells had merit or whether New Mexico's well monitoring actions were technically sound.

Allegations of mismanagement came from a Hotline complaint from Citizen Action New Mexico. The Resource Conservation and Recovery Act requires EPA Region 6 to provide oversight to delegated programs. EPA's Public Involvement Policy encourages EPA staff and managers to ensure that decisionmaking processes are open and accessible.

Region 6 staff took inappropriate steps to keep the details of the landfill's monitoring wells assessment from the public. The region decided not to provide documentation or sometimes not to document their concerns about the landfill's monitoring wells. The region provided a letter to the citizens' group that did not note the specific details of the assessment. The region's actions are a violation of EPA policies on public involvement and records management.

We recommended that the Region 6 administrator comply with EPA's national security, public involvement, and records management policies. We also recommended that the regional administrator evaluate the extent to which the region has not recorded oversight information, or misclassified information, to determine the action necessary to remedy the situation. Region 6 disagreed with the report's conclusion and recommendations, stating that information was not withheld from the public, and requested that resolution be elevated in accordance with EPA's audit management process.

In July 2009, the deputy administrator asked the inspector general to consider whether an Office of General Counsel opinion he provided would influence the OIG's conclusions that Region 6 improperly classified information and withheld documents under the Freedom of Information Act. After reviewing the legal opinion and conducting additional legal research, OIG modified its conclusion and found there was no violation of EPA policies or guidance for marking national security information. Moreover, the OIG also accepted that the document in question was not withheld by the Agency under the Freedom of Information Act on the basis of improper classification. The report findings and recommendations that remain in dispute are in the report resolution process.

*(Report No. 10-P-0100, Region 6 Needs to Improve Oversight Practices, April 14, 2010—Report Cost: \$272,846). Related correspondence can be found at [http://www.epa.gov/oig/reports/2010/Correspondence\\_Rpt\\_10-P-0100.pdf](http://www.epa.gov/oig/reports/2010/Correspondence_Rpt_10-P-0100.pdf).*

## Grants and Contracts

*Improving EPA's use of  
assistance agreements and contracts*

The following report summaries, included in other sections, specifically address grant and contract issues; many are related to Recovery Act funding:

- “EPA Should Improve Evaluation of Contractor Performance” (page 5)
- “EPA Can Improve the Accuracy of Recovery Act Recipient Data” (page 5)
- “EPA OIG Responds to Congressional Request on Signage Requirements” (page 6)
- “Site Inspections of Recovery Act Projects Did Not Note Problems” (page 7)
- “EPA Should Recover Questioned Costs Claimed by Alaska Native Tribal Health Consortium” (page 25)
- “Reimbursement Claims for Cleanup at Superfund Sites Reviewed” (page 26)
- “Integrated Contracts Management System Needs Improved Data Integrity” (page 28)
- “EPA’s Acquisition System Processes Need Stronger Controls” (page 29)

## Forensic Audits

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

### **EPA Should Recover Questioned Costs Claimed by Alaska Native Tribal Health Consortium**

The Alaska Native Tribal Health Consortium did not comply with federal requirements applicable to EPA funding provided through an interagency agreement.

EPA awarded interagency agreement DW 75-95754001 to the Indian Health Service. The agreement, as amended, provides \$22,226,077 in federal assistance to be used by the Indian Health Service to provide sanitation facilities for native communities in Alaska through subagreements with the Alaska Native Tribal Health Consortium.



New Stuyahok, Alaska, sewage lagoon constructed by the Alaska Native Tribal Health Consortium and partially funded by interagency agreement DW 75-95754001. (Photo from Alaska Native Tribal Health Consortium website)

Because the Alaska Native Tribal Health Consortium did not meet financial management requirements specified by Code of Federal Regulations, EPA should recover \$1,007,690 of questioned costs. In particular, the consortium claimed indirect costs without approved rates or a certified proposal; claimed labor, equipment, freight, and material costs that were not allocable; and claimed subcontract costs that were not allocable or allowable. EPA, other federal agencies, and the State of Alaska should evaluate costs claimed by the consortium under other funding agreements.

We recommended that the EPA Region 10 administrator disallow \$1,493,893 in questioned costs, recover \$1,007,690 in questioned costs, require the Indian Health Service to direct the Alaska Native Tribal Health Consortium to establish controls to ensure costs claimed under the interagency agreement meet federal financial criteria, designate the consortium as a high-risk recipient and require special conditions that establish additional oversight and monitoring, and evaluate costs claimed by the consortium under other open funding agreements to ensure that costs meet federal criteria. Region 10, the Indian Health Service, and the consortium disagreed with the findings and recommendations.

*(Report No. 10-4-0241, Costs Claimed by the Alaska Native Tribal Health Consortium Under EPA Interagency Agreement DW 75-95754001, September 30, 2010—Report Cost: \$750,973)*

## Reimbursement Claims for Cleanup at Superfund Sites Reviewed

We reviewed several reimbursement funding claims during the semiannual reporting period. We performed these reviews solely to assist the EPA Office of Solid Waste and Emergency Response in evaluating the claimants' mixed funding claims. We found the following:

- We reviewed a reimbursement mixed funding claim for \$831,256 submitted by the responsible parties for a Superfund site in Cape Girardeau, Missouri. Our review noted no exceptions to the claimed amount. We recommended that EPA accept the claim and reimburse the claimant \$831,256 of the total eligible costs of \$4,156,280.
- We reviewed a reimbursement mixed funding claim for \$3,280,027 submitted by the responsible parties for a Superfund site in Duval County, Florida. Our review noted no exceptions to the claimed amount. We recommended that EPA accept the claim and reimburse the claimant \$3,280,027 of the total eligible costs of \$7,273,989.

**For details on additional forensic audit issues, refer to:**

- **Page 7, “Site Inspections of Recovery Act Projects Did Not Note Problems”**

# Risk Assessment and Program Performance

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

## Comprehensive National Environmental Policy and Review Needed

New, large-scale environmental problems require coordinated efforts across government and stakeholder groups. However, the national environmental structure created 40 years ago has resulted in a fragmented approach to environmental protection.

Congress passed the National Environmental Policy Act and created EPA in 1970 to carry out national policy. EPA shares responsibility for environmental protection with states and 25 federal agencies and, in some cases, other entities have more authority than EPA over activities that impact environmental quality.



Great Lakes National Program Office's sampling in the Buffalo River near the Smith Street habitat restoration site, Buffalo, New York. Such projects present cross-media and cross-boundary challenges. (EPA photo)

Past and current Agency efforts did not set a national policy or clearly align the environmental protection efforts of all federal and state stakeholders. EPA lacks authority over many activities that impact the nation's environment. For example, EPA and the U.S. Department of Energy both issued ENERGY STAR criteria documents for the same products, which could cause confusion in the marketplace. Also, the U.S. Department of Agriculture could use its extensive field experience with local farming communities to further contribute to EPA's Chesapeake Bay cleanup efforts.

EPA should work with Congress and the administration to create expert panels to formulate a national environmental policy and quadrennial review similar to those of the U.S. Departments of Defense and Homeland Security. Overall, EPA disagreed with our suggestion.

*(Report No. 10-P-0140, National Environmental Policy and Quadrennial Review Needed, June 8, 2010—Report Cost: \$205,000)*

## Information Resources Management

*Helping the Agency maintain its systems and data*

### Better Management Practices Needed to Ensure Computer Savings

Although EPA believes it could save more than \$115.4 million over 8.5 years by consolidating its desktop computer environment, better management practices are needed to ensure this cost savings.

The OIG conducted this audit in response to Hotline complaints about desktop deployments for EPA by Customer Technology Solutions.

EPA scheduled replacing 11,744 computers in 12 months, as well as providing maintenance and support for these computers and attached network printers, without sufficient planning to ensure success. This lack of project planning has led to questions about the quality of the provided helpdesk support, an unfinalized quality management program, undefined key business processes, and vacant leadership positions. Many end users voiced dissatisfaction with the deployment.



Hardware ready for deployment.  
(EPA OIG photo)

We recommended that EPA implement and maintain a helpdesk that responds to and resolves issues to meet performance metrics. We also recommended improving the quality management program, documenting milestones for completing business process documents, and filling vacant leadership positions. In general, the Agency agreed with the findings and recommendations.

*(Report No. 10-P-0194, EPA Needs to Improve Management Practices to Ensure a Successful Customer Technology Solutions Project, August 23, 2010—Report Cost: \$177,268)*

### Integrated Contracts Management System Needs Improved Data Integrity

EPA should strengthen Integrated Contracts Management System data integrity controls to increase data reliability for management reporting.

The Integrated Contracts Management System generates documents vital to EPA's procurement process. The OIG contracted with a firm to conduct a data integrity audit of

the system, particularly to determine whether system data complied with the system edit and validation checks.

The contractor found that system data contain exceptions to the established business rules, as well as anomalies that cast suspicion over the validity of processed transactions. The contractor also found discrepancies between Office of Acquisition Management-defined system edit and validations checks and the Integrated Contracts Management System data dictionary. These weaknesses exist in part due to a breakdown in the process for controlling data entry, EPA not identifying and implementing edit and validation checks during system implementation, and EPA inconsistently documenting edit and validation checks as data requirements change.

EPA is replacing the Integrated Compliance Management System with a new acquisition system called the EPA Acquisition System. While it may not be practical for EPA to address the Integrated Compliance Management System weaknesses, EPA should take proactive steps to strengthen its data integrity processes so that these similar weaknesses will not exist in the new EPA Acquisition System. The Agency generally agreed with the findings and recommendations.

*(Report No. 10-P-0144, Improved Data Integrity Needed for the Integrated Contracts Management System, June 14, 2010—Contract and OIG Oversight Costs: \$424,969)*

## **EPA's Acquisition System Processes Need Stronger Controls**

**EPA should implement stronger system controls over its current acquisition system so that existing weaknesses do not affect its new acquisition system.**

The Integrated Contracts Management System supports the procurement needs of EPA offices. EPA is replacing this system with the EPA Acquisition System. We contracted with a firm to determine to what extent EPA has taken steps to ensure weaknesses in the current system do not impact the replacement system.

Before EPA replaces the current system, it should strengthen system controls. Examples of system weaknesses include the following:

- System reporting does not always accurately associate a procurement action with the user who initiated the action.
- The current system does not have an audit log to capture and allow monitoring of security events.
- No formal user training exists.
- The continuity of operations plan and system backup procedures do not comply with federal requirements.
- The current system generates procurement documents in such a way that changes can be made outside of the system's processing environment.

On June 9, 2010, we briefed Agency officials on various steps that EPA should take to ensure that the new EPA Acquisition System has sufficient controls. The Agency agreed with most of the findings and recommendations.

*(Report No. 10-P-0160, Steps Needed to Prevent Prior Control Weaknesses From Affecting New Acquisition System, June 28, 2010—Contract and OIG Oversight Costs: \$199,174)*

## **EPA Could Achieve Data Quality Rate With Additional Improvements**

EPA mandates that data elements reported to the public through the Enforcement Compliance and History Online (ECHO) website have a 95 percent accuracy rate. A review by a contractor found a 91.5 percent data accuracy rate for key data elements entered into two primary ECHO source systems.

ECHO provides a single source of compliance history of EPA-regulated facilities. EPA developed ECHO to provide the public compliance and inspection data under its environmental programs. The OIG contracted with a firm to assess the quality of key ECHO data elements.

Although the 91.5 percent data quality rate is close to EPA's goal, EPA and the state environmental offices could take additional steps to increase the quality of data reported through the ECHO website. The contractor made several recommendations to EPA regarding procedural changes and improvements. The Agency generally agreed with the report findings.

*(Report No. 10-P-0230, ECHO Data Quality Audit – Phase 2 Results: EPA Could Achieve Data Quality Rate With Additional Improvements, September 22, 2010—Report Cost: \$331,361)*

## **Improvements Needed in Key EPA Information System Security Practices**

EPA and its program offices lack effective managerial controls to ensure that delegated information security activities are carried out as intended by federal requirements.

The Federal Information Security Management Act requires inspectors general, or independent evaluators they choose, to perform annual evaluations of agencies' information security programs and practices. The OIG contracted with a firm to perform an independent review of EPA's information security program to determine whether EPA meets the act's requirements.

The contractor found that program offices lacked evidence that they planned and executed required tests of information system security controls, that contingency plans were not current or accurate, and that the certification and accreditation process and review of security plans needed improvements. Also, EPA had two authoritative system inventories that did not reconcile, and had contractor-owned and -operated systems in production without proper oversight monitoring.

The report recommended that EPA train its information security community on testing and documenting information systems security controls, enhance the quality assurance process, and design and implement a process to perform a periodic reconciliation between its two authoritative system inventories. Agency officials indicated that they will respond to the final report.

*(Report No. 10-P-0146, Improvements Needed in Key EPA Information System Security Practices, June 15, 2010—Contract and OIG Oversight Costs: \$136,242)*

## **Technical Network Vulnerability Assessed at Various Locations**

The OIG conducted testing at various locations to identify network vulnerabilities. If not resolved, these vulnerabilities can expose EPA's assets to unauthorized access and potentially harm the Agency's networks.

The testing, done per the Federal Information Security Management Act, disclosed several high-risk and medium-risk vulnerabilities at the following EPA locations, as discussed in four separate reports:

- Andrew W. Breidenbach Environmental Research Center, Cincinnati, Ohio  
*(Report No. 10-P-0210, September 7, 2010—Report Cost: \$11,084)*
- Erlanger Building, Erlanger, Kentucky  
*(Report No. 10-P-0211, September 7, 2010—Report Cost: \$4,858)*
- Ronald Reagan Building, Washington, DC  
*(Report No. 10-P-0212, September 7, 2010—Report Cost: \$7,628)*
- Region 4, Atlanta, Georgia  
*(Report No. 10-P-0213, September 7, 2010—Report Cost: \$3,459)*

The OIG met with EPA information security personnel for each location to discuss the findings and issued recommendations in each report.

## Investigations *Investigating laboratory fraud, financial fraud, and computer crimes*

### Special Report

#### OIG Examines Environmental Justice Issues in EPA Region 4

Our investigative review of matters in EPA Region 4 within our jurisdiction disclosed no evidence that EPA contracts, assistance agreements, or programs were involved in environmental justice violations, or that an EPA employee committed any actionable offense.

Environmental justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies. EPA Administrator Lisa Jackson has made environmental justice one of her top seven priorities and has created an office to promote environmental justice.

The OIG Office of Investigations undertook a detailed review of certain allegations to determine whether the OIG had investigative jurisdiction in terms of EPA contracts, assistance agreements, programs, or personnel involvement. Using these criteria, we determined that five allegations merited further investigative review. Our further investigative review of the five allegations disclosed no evidence that EPA contracts, assistance agreements, or programs were involved, or that an EPA employee committed any actionable offense(s). In instances in which we determined that applicable violations were outside of the OIG's jurisdiction, we made a professional referral to the appropriate investigative entity.

*(Report No. 10-N-0145, Investigation of Allegations Concerning Environmental Justice Issues in EPA Region 4, June 14, 2010)*

### Investigative Actions

#### Former EPA Employee Sentenced for Theft

On August 25, 2010, a former EPA employee was sentenced in the U.S. District Court for the Northern District of Georgia to 3 years of probation and ordered to pay \$11,589 in restitution to EPA. The employee was previously charged with theft of government property in connection with misuse of her government-issued credit card. While entrusted to make purchases on behalf of the government, the employee used the credit card to obtain personal items such as a microwave, a coffee maker, and electronic equipment. In addition, the employee used the EPA computer network to make purchases for

entertainment tickets using a stolen credit card. The employee resigned from EPA after receiving notice that she would be removed from her position. (*Case Cost: \$12,748*)

### **Laboratory Owner Sentenced for Fabricating Documentation**

On April 19, 2010, Nancy Miller of Yuma, Arizona, co-owner of Sunstate Environmental Laboratories in Yuma, was sentenced in U.S. District Court for the District of Arizona to 2 years of probation and ordered to pay a \$5,000 fine and \$765 in restitution. Sunstate performed environmental laboratory testing for drinking water and wastewater analyses. The investigation determined that Miller fabricated laboratory documentation to defraud her customers into believing she had reported the analyses correctly. These documents were false in that the laboratory tests were not performed. Sunstate's clients included the U.S. Department of the Interior, the U.S. Army Corps of Engineers, the U.S. Marine Corps, a fast-food restaurant, schools, mobile-home parks, and municipalities. Sunstate is no longer a licensed laboratory in the State of Arizona. (*Case Cost: \$206,605*)

## Legal Reviews

Conducting requested reviews of legal issues involving EPA

### **No EPA Violations Found Related to Draft/Proposed Legislative Amendments**

Our review of an EPA associate administrator's contacts with Shell Oil Company concerning a draft legislative amendment and with the automotive industry concerning the proposed legislative amendment disclosed no violations of grassroots lobbying prohibitions.

In response to a congressional request, the OIG Office of Counsel reviewed the conduct of certain EPA officials related to the handling of a proposed amendment to H.R. 2996.

We found no violations of law, regulation, or policy related to contact by the associate administrator for congressional and intergovernmental relations with either the Shell Oil Company or the Alliance of Automobile Manufacturers regarding a draft or the proposed amendment number 2530 to H.R. 2996. The associate administrator called a Shell representative when the amendment was in draft, prior to its introduction; he also called and exchanged several e-mail messages with a representative at the Alliance of Automobile Manufacturers after the proposed amendment was introduced in Congress. However, we found that the associate administrator did not request Shell or Alliance of Automobile Manufacturers representatives to lobby Congress on the amendment and, therefore, found no violation of grassroots lobbying prohibitions in statutes or policy. Further, we found no violation of policy or standards of conduct in the contact with Shell. Also, we concluded that the associate administrator had no contact with the Association of International Automobile Manufacturers.

*(Report No. 10-N-0148, Response to Congressional Inquiry Concerning EPA's Conduct Related to Draft/Proposed Legislative Amendments, June 21, 2010—Report Cost: \$33,019)*

## Chemical Safety and Hazard Investigation Board

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

*In FY 2004, Congress designated the EPA OIG to serve as the inspector general for the U.S. Chemical Safety and Hazard Investigation Board. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect, and investigate the board's programs, and to review proposed laws and regulations to determine their potential impact on the board's programs and operations.*

### **Chemical Safety Board Should Improve Information Security Practices**

**While the U.S. Chemical Safety and Hazard Investigation Board has an information security program in place, we noted areas in which the board can make improvements.**

The EPA OIG contracted with a firm to perform the FY 2009 Federal Information Security Management Act assessment for the U.S. Chemical Safety and Hazard Investigation Board. The assessment noted that the board could improve its practices related to risk assessment, system security planning, plans of action and milestones, contingency planning, access controls, and audit logging. The contractor also conducted a network vulnerability test that disclosed vulnerabilities, insecure system protocols, default configurations, and unpatched devices.

The report made various recommendations to correct the deficiencies noted, including providing needed training, developing a contingency plan, and updating guidance. The board generally agreed with the findings and recommendations.

*(Report No. 10-P-0174, Evaluation of the U.S. Chemical Safety and Hazard Investigation Board's Compliance with the Federal Information Security Management Act (Fiscal Year 2009), August 2, 2010—Contract and OIG Oversight Costs: \$113,478)*

## Other Activities

### Peer Reviews Conducted

The most recent external peer review of the EPA OIG was conducted by the U.S. Department of Homeland Security in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. The U.S. Department of Homeland Security reviewed our system of quality controls for the period October 1, 2005, through September 30, 2008. The report, issued July 10, 2009, contained no recommendations, and the EPA OIG received a rating of *pass*.

Further, the EPA OIG conducted an external peer review of the system of quality control for the audit organization of Treasury Inspector General for Tax Administration. Our review of that organization covered the period April 1, 2006, through March 31, 2009, and was also completed in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. Our report, issued February 3, 2010, contained no recommendations and provided the Treasury Inspector General for Tax Administration a rating of *pass*.

### 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 programs and operation of EPA and to make recommendations concerning their impact. We primarily base our comments on audit, evaluation, investigation, and legislative experiences, as well as our participation on the Council of the Inspectors General on Integrity and Efficiency. During the reporting period, we reviewed 125 proposed changes to legislation, regulations, policy, and procedures that could affect EPA, and provided comments on 17. We also reviewed drafts of OMB circulars, memoranda, executive orders, program operations manuals, directives, and reorganizations. Details on several items follow.

#### ***Contracts Management Manual, New Chapter 18, “Emergency Acquisitions.”***

EPA’s Office of Acquisition Management proposed a new chapter 18, “Emergency Acquisitions,” for the *Contracts Management Manual*. The proposed chapter supplements the new Federal Acquisition Regulation part 18, “Emergency Acquisitions,” by identifying specific acquisition flexibilities to be used by EPA contracting officers during emergency situations. The proposed chapter also explains the difference between acquisition flexibilities to be used during emergencies and requirements covered by a continuity of operations plan. We commented that the proposed chapter does not include,

or make reference to, contracting guidance for emergency acquisition issues raised in OIG audit reports over the last few years, including:

- Deploying a sufficient number of contracting officers and other support personnel, as well as sufficient personnel to review contractor invoices
- Having a predetermined list of emergency response volunteers
- Having advance agreements with vendors
- Having an effective property management system, including limiting the number of property-receiving points, issuing purchase cards to responders, establishing a central location for recording property, and recording property costs by contract

We suggested that if the *Contracts Management Manual* chapter 18 does not address these issues, it should indicate where guidance on the topics can be found.

#### **Proposed Revision to the Resource Management Directives System 2540**

**Chapter 14, “Working Capital Fund.”** EPA’s Office of the Chief Financial Officer proposed a revision to the Resource Management Directives System 2540 chapter 14, “Working Capital Fund,” to include an overall policy standard and five policy procedure documents addressing ordering, funding, and billing Working Capital Fund services; accounting and budget preparation; fund assets; new activities and services; and exit procedures. We suggested that as part of measuring success, selected services should be independently evaluated to determine whether they are meeting the expectations of the initial business case justifying their inclusion in the Working Capital Fund. We commented that we strongly believe that the Integrated Financial Management System should remain a free service and not come under the umbrella of the Working Capital Fund. Also, we commented that the revision should specify that one of the roles of the chief financial officer is to ensure that an independent audit of the Working Capital Fund is conducted to assure accuracy and completeness of the fund’s financial statements, as the current policy states.

#### **National Security Council’s Revised Proposed Executive Order, “Controlled**

**Unclassified Information.”** The National Security Council proposed a revised executive order, based on agency comments received pursuant to the first draft, to establish a uniform government-wide framework for managing sensitive unclassified information, described in the executive order as “controlled unclassified information.” We commented that the executive order should explicitly state that individual agencies do not have the authority to maintain regimes of marking an unclassified data item to “flag” it for special handling (dissemination controls) unless the item is marked as controlled unclassified information or has an approved marking by the executive agent as required by law. We suggested that the executive order specifically identify in which National Archives and Records Administration office the executive agent will reside and define the meaning of the clause “principal officers of agencies as heads of their respective agencies.”

## **OIG Quality Assurance Review Notes Work Paper Improvements, but More Can Be Done**

During FYs 2008 and 2009, the EPA OIG made noticeable improvements regarding documenting work paper reviews, according to a quality assurance review conducted by the EPA OIG special assistants to the deputy inspector general. However, further improvements can be made. The purpose of this review was to report on the set of criteria the EPA OIG uses to measure quality in its audit and evaluation reports. We applied our quality measurement criteria to 98 EPA OIG reports issued from October 1, 2007, through September 30, 2009.

Supervisory reviews were better documented and more timely. Product line directors and project managers demonstrated that they were reviewing the supporting work papers for the draft and final reports, and staff were responding to manager comments. Nonetheless, we noted the following areas where improvements can be made:

- Work papers should be a more reasonable length.
- Indexing should be updated at various stages.
- Use of draft Agency documents should be managed better.
- Proper attribution should be provided in reports.
- Dates used to define the scope of work should be more standardized.

Our findings were publicly reported in Report No. 10-N-0134, *Measuring the Quality of Office of Inspector General Reports Issued in Fiscal Years 2008 and 2009*, issued June 2, 2010. The then-acting inspector general agreed to take action on all recommendations.

## **OIG Internal Control Assessment Provides Assurances, Identifies Challenges and Areas for Improvement**

In accordance with the Federal Managers' Financial Integrity Act, Agency guidance, and U.S. Government Accountability Office internal control standards, the EPA OIG assessed the effectiveness of its internal controls and operations during this reporting period. We also reviewed OIG management of timekeeping, the purchase card program, and unliquidated obligations. We found that internal controls within the OIG are adequate to reasonably protect against fraud, waste, abuse, and mismanagement, and the OIG is in compliance with all applicable laws and regulations.

We identified an internal management weakness related to staffing. The OIG has been directed by Congress to increase staffing, but we have encountered delays when working with EPA's human capital services. Also, the OIG legacy investigative case management system was identified as a weakness and the OIG is exploring several case management systems used by others. We identified internal policies and procedures and secured/classified communications as emerging issues for management attention.

# Statistical Data

## Profile of Activities and Results

<b>Audit and evaluation operations Office of Inspector General reviews</b>		
	April 1, 2010, to September 30, 2010 (\$ in millions)	FY 2010
Questioned costs *	\$1.0	\$6.8
Recommended efficiencies *	\$0.0	\$7.1
Costs disallowed to be recovered	\$2.0	\$2.8
Costs disallowed as cost efficiency	\$0.0	\$7.1
Reports issued by OIG	42	83
Reports resolved (Agreement by Agency officials to take satisfactory corrective actions) **	111	223

<b>Audit and evaluation operations Reviews performed by Single Audit Act auditors</b>		
	April 1, 2010, to September 30, 2010 (\$ in millions)	FY 2010
Questioned costs *	\$0.3	\$0.6
Recommended efficiencies *	\$0.0	\$0.0
Costs disallowed to be recovered	\$0.2	\$10.1
Costs disallowed as cost efficiency	\$0.0	\$0.0
Single Audit Act reviews	106	157
Agency recoveries Recoveries from audit and evaluation resolutions of current and prior periods (cash collections or offsets to future payments) ***	\$4.6	\$14.1

<b>Investigative operations</b>		
	April 1, 2010, to September 30, 2010 (\$ in millions)	FY 2010
Total fines and recoveries ****	\$0.017	\$1.207
Cost savings	\$0	\$0.026
Cost avoidances *****	\$0.807	\$4.208
Cases open during period	78	130
Cases closed during period	40	72
Indictments/informations of persons or firms	9	15
Convictions of persons or firms	2	7
Civil judgments/settlements/filings	0	2

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

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

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

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

\*\*\*\*\* Includes \$3.4 million not reported in a prior period.

## Audit, Inspection, and Evaluation Report Resolution

### Status report on perpetual inventory of reports in resolution process for semiannual period ending September 30, 2010

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, 2010*	90	\$24,033	\$0	\$2,191	\$0
B. Which were issued during the reporting period	148	1,272	0	120	0
C. Which were issued during the reporting period that required no resolution	30	0	0	0	0
Subtotals (A + B - C)	208	25,305	0	2,311	0
D. For which a management decision was made during the reporting period	111	9,151	0	2,311	0
E. For which no management decision was made by September 30, 2010	97	16,154	0	0	0
F. Reports for which no management decision was made within 6 months of issuance	46	9,349	0	0	0

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

### Status of management decisions on inspector general reports

This section presents additional statistical information that is required by the Inspector General Act of 1978, as amended, on the status of EPA management decisions on reports issued by the OIG involving monetary recommendations. Tables 1 and 2 cannot be used to assess results of reviews performed or controlled by 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, 2010 (\$ in thousands)**

Report category	No. of reports	Questioned costs *	Unsupported costs
A. For which no management decision was made by April 1, 2010 **	37	\$24,033	\$18,374
B. New reports issued during period	8	1,272	1,068
Subtotals (A + B)	45	25,305	19,442
C. For which a management decision was made during the reporting period:	16	9,151	8,302
(i) Dollar value of disallowed costs	8	2,311	1,983
(ii) Dollar value of costs not disallowed	8	6,840	6,319
D. For which no management decision was made by September 30, 2010	26	16,154	11,140
Reports for which no management decision was made within 6 months of issuance	19	9,349	5,527

\* Questioned costs include unsupported costs.

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

**Table 2: Inspector general-issued reports with recommendations that funds be put to better use for semiannual period ending September 30, 2010 (\$ in thousands)**

Report Category	No. of reports	Dollar value
A. For which no management decision was made by April 1, 2010 *	0	\$0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period:	0	0
(i) Dollar value of recommendations from reports that were agreed to by management	0	0
(ii) Dollar value of recommendations from reports that were not agreed to by management	0	0
(iii) Dollar value of nonawards or unsuccessful bidders	0	0
D. For which no management decision was made by September 30, 2010	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

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

**Audits, inspections, and evaluations with no final action as of September 30, 2010, over 365 days past the date of the accepted management decision (including audits, inspections, and evaluations in appeal)**

Audits, inspections, and evaluations	Total	Percentage
Program	44	47
Assistance agreements	26	28
Contract audits	3	3
Single audits	20	22
Financial statement audits	0	0
<b>Total</b>	<b>93</b>	<b>100</b>

## Hotline Activity

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

	Semiannual period (April 1, 2010– September 30, 2010)	Annual period (October 1, 2009– September 30, 2010)
<b>Issues open at the beginning of the period</b>	18	7
<b>Inquiries received during the period</b>	169	514
<b>Inquiries closed during the period</b>	156	490
<b>Inquiries pending or open at the end of the period</b>	31	31
<b>Issues referred to others</b>		
<b>OIG offices</b>	70	158
<b>EPA program offices</b>	75	159
<b>Other federal agencies</b>	7	20
<b>State/local agencies</b>	13	93
<b>Other/miscellaneous</b>	4	84

## Summary of Investigative Results

### Summary of investigative activity during reporting period

Cases open as of April 1, 2010	116
Cases opened during period	78
Cases closed during period	40
Cases pending as of September 30, 2010	154

### Investigations pending by type as of September 30, 2010

	Superfund	Management	Split funded	Recovery Act	Chemical Safety Board	Total
Contract fraud	8	8	2	14	0	32
Assistance agreement fraud	1	31	5	19	0	56
Employee integrity	1	24	1	0	1	26
Program integrity	1	13	1	1	0	17
Computer crimes	0	4	1	0	0	5
Other	0	10	2	6	0	18
<b>Total</b>	<b>11</b>	<b>90</b>	<b>12</b>	<b>40</b>	<b>1</b>	<b>154</b>

### Results of prosecutive actions

	EPA OIG only	Joint *	Total
Criminal indictments/informations/complaints	7	2	9
Convictions	2	0	2
Civil judgments/settlements/filings	0	0	0
Fines and recoveries (including civil)	\$17,479	\$0	\$17,479
Prison time	0 months	0 months	0 months
Home detention	0 months	0 months	0 months
Probation	60 months	0 months	60 months
Community service	0 hours	0 hours	0 hours

\* With another federal agency.

### Administrative actions

	EPA OIG only	Joint *	Total
Suspensions	4	7	11
Debarments	0	0	0
Employee resignations	0	0	0
Compliance agreements	0	0	0
Other administrative actions	23	2	25
<b>Total</b>	<b>27</b>	<b>9</b>	<b>36</b>
<b>Administrative recoveries</b>	<b>\$0</b>	<b>\$203,624</b>	<b>\$203,624</b>
<b>Cost avoidance</b>	<b>\$806,571</b>	<b>\$0</b>	<b>\$806,571</b>

\* With another federal agency.

## Scoreboard of Results

### Scoreboard of OIG FY 2010 performance results compared to FY 2010 annual performance goal targets

All results reported in FY 2010, from current and prior years' work, are as reported in OIG Performance Measurement and Results System, Inspector General Operations Reporting System, and Inspector General Enterprise Management System. Unaudited.

OIG FY 2010 Government Performance and Results Act annual performance targets compared to FY 2010 results reported	Supporting measures
<b>Goal: Contribute to human health and environmental quality through improved business practices, accountability, and integrity of program operations</b>	
<b>Environmental improvements/actions/changes/improvements in business/systems/efficiency risks reduced or eliminated</b> <b>Target: 334</b> <b>Reported: 391 (117%)</b>	3 Legislative/regulatory changes/decisions 25 Environmental or management policy, process, practice, control change actions taken 2 Best practices implemented 3 Environmental & business risks/challenges eliminated 253 Certifications/validations/verifications/corrections 10 Actions taken or resolved prior to report issuance (not otherwise reported) 5 Recommendations reported as implemented previously identified unimplemented by OIG followup*
<b>Environmental and business recommendations, challenges, best practices, risks identified, Recovery Act technical briefings</b> <b>Target: 903</b> <b>Reported: 945 (105%)</b>	593 Recommendations (for Agency/stakeholder action) 21 Critical congressional or public management concerns addressed 6 Best environmental or management practices identified 58 Referrals for Agency action 12 New environmental or management operational risks or challenges identified 83 Unimplemented recommendations identified 172 Awareness briefings/outreach sessions (including Recovery Act)
<b>Return on investment: Potential dollar return as percentage (120%) of OIG budget (\$54.7 million)</b> <b>Target: \$65.6 million</b> <b>Reported: \$19.6 million (30%)</b>	<i>(\$ in millions)</i> \$7.4 Questioned costs (net EPA) \$10.5 Recommended efficiencies, costs saved (EPA) \$1.4 Fines, recoveries, settlements \$0.3 Monetary actions taken or resolved prior to report issuance
<b>Criminal, civil, and administrative actions reducing risk of loss/operational integrity</b> <b>Target: 75</b> <b>Reported: 115 (153%)</b>	7 Criminal convictions 15 Indictments/informations/complaints 60 Administrative actions 2 Civil actions 31 Allegations disproved
<b>Other (no targets established)</b> <b>Sustained monetary recommendations and savings achieved from current and prior periods: \$23.4 million</b> <b>Sustained environmental and management recommendations for resolution action</b> <b>Recovery Act activity results (cumulative)</b> <b>Total reports issued: 240</b>	<i>(\$ in millions)</i> \$12.9 Questioned costs sustained \$10.5 Cost efficiencies sustained or realized 245 Sustained recommendations 124 Recovery Act awareness briefings/outreach sessions (also counted above) 52 Recovery Act complaints received 83 OIG-produced reports 157 Reports by other audit entities with OIG oversight

\* Reported by Agency as implemented of those previously reported by the OIG as unimplemented.

# Appendices

## Appendix 1 - Reports Issued

The Inspector General Act requires a listing, subdivided according to subject matter, of each report issued by the OIG during the reporting period. For each report, where applicable, the Inspector General Act also requires a listing of the dollar value of questioned costs and the dollar value of recommendations that funds be put to better use. This listing includes a section for reports involving the American Recovery and Reinvestment Act of 2009.

Report no.	Report title	Date	Questioned costs			Federal recommended efficiencies
			Ineligible costs	Unsupported costs	Unreasonable costs	
<b>PERFORMANCE REPORTS</b>						
10-P-0095	Follow-up Evaluation of EPA's Office of Children's Health Protection	Apr. 05, 2010	0	0	0	0
10-P-0100	Region 6 Needs to Improve Management of Oversight at Sandia Landfill	Apr. 14, 2010	0	0	0	0
10-P-0101	Office of Inspector General Scientific Analysis of Perchlorate	Apr. 19, 2010	0	0	0	0
10-P-0106	EPA's BioWatch Role Reduced	Apr. 20, 2010	0	0	0	0
10-P-0112	Hotline Complaint of EPA Region 9 Hiring under Federal Career Intern Program	Apr. 26, 2010	0	0	0	0
10-P-0130	EPA Activities Provide Limited Assurance at North Carolina Hazardous Waste Site	May 17, 2010	0	0	0	0
10-P-0133	EPA Should Improve Its Oversight of Federal Agency Superfund Reviews	Jun. 02, 2010	0	0	0	0
10-P-0140	National Environmental Policy and Quadrennial Review Needed	Jun. 08, 2010	0	0	0	0
10-P-0144	Improved Data Integrity Needed for the Integrated Contracts Management System	Jun. 14, 2010	0	0	0	0
10-P-0146	Improvements Needed in Key EPA Information System Security Practices	Jun. 15, 2010	0	0	0	0
10-P-0154	Key Activities in EPA's Integrated Urban Air Toxics Strategy Remain Unimplemented	Jun. 23, 2010	0	0	0	0
10-P-0160	Control Deficiencies Need to be Addressed in New EPA Acquisition System	Jun. 28, 2010	0	0	0	0
10-P-0165	Review of Hotline Complaint on Hotel Stay	Jul. 15, 2010	0	0	0	0
10-P-0174	U.S. Chemical Safety and Hazard Investigation Board – FISMA 2009 Review	Aug. 02, 2010	0	0	0	0
10-P-0176	Office of Research and Development Performance Measures Need Improvement	Aug. 04, 2010	0	0	0	0
10-P-0177	Appointment Business Process	Aug. 09, 2010	0	0	0	0
10-P-0194	EPA Needs to Improve Customer Technology Solutions Project Practices	Aug. 23, 2010	0	0	0	0
10-P-0210	Technical Vulnerability Assessment for Andrew W. Breidenbach Research Center	Sep. 07, 2010	0	0	0	0
10-P-0211	Technical Vulnerability Assessment for Erlanger Facility	Sep. 07, 2010	0	0	0	0
10-P-0212	Technical Vulnerability Assessment for Ronald Reagan Building	Sep. 07, 2010	0	0	0	0
10-P-0213	Technical Vulnerability Assessment for Region 4	Sep. 07, 2010	0	0	0	0
10-P-0217	EPA Should Improve Oversight at Bruin Lagoon Superfund Site	Sep. 08, 2010	0	0	0	0
10-P-0218	Independent Sampling Generally Confirms EPA's Data at Wheeler Pit Superfund Site	Sep. 08, 2010	0	0	0	0
10-P-0224	EPA Should Revise EPA-State Clean Water Act Memoranda of Agreement	Sep. 14, 2010	0	0	0	0
10-P-0229	EPA Should Improve Oversight at PAB Oil and Chemical Services Superfund Site	Sep. 21, 2010	0	0	0	0
10-P-0230	Data Quality Audit of ECHO System - Phase II	Sep. 22, 2010	0	0	0	0
	<b>TOTAL PERFORMANCE REPORTS = 26</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>ASSISTANCE AGREEMENT REPORTS</b>						
10-4-0241	Costs Claimed by Alaska Native Tribal Health Consortium – DW 75-95754001	Sep. 30, 2010	\$79,068	\$928,622	0	0
	<b>TOTAL ASSISTANCE AGREEMENT REPORTS = 1</b>		<b>\$79,068</b>	<b>\$928,622</b>	<b>\$0</b>	<b>\$0</b>
<b>SINGLE AUDIT REPORTS</b>						
10-3-0094	Indian Township Tribal Government, FY 2008	Apr. 05, 2010	\$14,668	0	0	0
10-3-0096	New Mexico Environment Department, FY 2009	Apr. 05, 2010	0	0	0	0
10-3-0097	California, State of, FY 2009	Apr. 08, 2010	0	0	0	0
10-3-0098	District of Columbia, Government of, FY 2008	Apr. 12, 2010	0	0	0	0
10-3-0099	Maine, State of, FY 2009	Apr. 12, 2010	0	0	0	0
10-3-0102	North Carolina, State of, FY 2009	Apr. 16, 2010	0	0	0	0
10-3-0103	Connecticut, State of, FY 2009	Apr. 16, 2010	0	0	0	0
10-3-0104	Vermont, State of, FY 2009	Apr. 16, 2010	0	0	0	0
10-3-0105	Arkansas, State of, FY 2009	Apr. 19, 2010	0	0	0	0
10-3-0107	Puerto Rico Safe Drinking Water Treatment Revolving Loan Fund, FY 2009	Apr. 20, 2010	0	0	0	0
10-3-0108	Puerto Rico Water Pollution Control Revolving Fund, FY 2009	Apr. 20, 2010	0	0	0	0
10-3-0109	Cahuilla Band of Indians, FY 2007	Apr. 21, 2010	0	0	0	0
10-3-0110	Texas, State of, FY 2009	Apr. 21, 2010	0	0	0	0
10-3-0111	Delaware, State of, FY 2009	Apr. 22, 2010	0	0	0	0
10-3-0115	Oakland Housing Authority, FY 2009	Apr. 30, 2010	0	0	0	0
10-3-0116	Hawaii Department of Health, FY 2009	Apr. 30, 2010	0	\$75,000	0	0
10-3-0117	Iowa, State of, FY 2009	Apr. 30, 2010	0	0	0	0
10-3-0118	Wyoming, State of, FY 2009	Apr. 30, 2010	0	0	0	0
10-3-0119	West Virginia, State of, FY 2009	May 03, 2010	0	0	0	0
10-3-0120	Colorado Water Resources and Power Development, FY 2009	May 06, 2010	0	0	0	0
10-3-0121	Wisconsin, State of, FY 2009	May 07, 2010	0	0	0	0
10-3-0122	North Dakota Public Finance Authority, FY 2009	May 07, 2010	0	0	0	0
10-3-0123	Fort Madison, City of, Iowa, FY 2009	May 10, 2010	0	0	0	0

Report no.	Report title	Date	Questioned costs			Federal recommended efficiencies
			Ineligible costs	Unsupported costs	Unreasonable costs	
10-3-0124	Pala Band of Mission Indians, FY 2008	May 10, 2010	0	0	0	0
10-3-0125	Alabama Drinking Water Finance Authority, FY 2009	May 10, 2010	0	0	0	0
10-3-0126	Alabama Water Pollution Control Authority, FY 2009	May 11, 2010	0	0	0	0
10-3-0127	Alaska Inter Tribal Council, FY 2007	May 12, 2010	0	0	0	0
10-3-0128	Cahuilla Band of Indians, FY 2007	May 13, 2010	0	0	0	0
10-3-0129	Tesuque, Pueblo of, FY 2008	May 17, 2010	0	0	0	0
10-3-0135	Reedsport, City of, FY 2009	Jun. 04, 2010	0	0	0	0
10-3-0136	Clarksburg, City of, FY 2009	Jun. 04, 2010	0	0	0	0
10-3-0137	Brattleboro, Town of, Vermont, FY 2009	Jun. 04, 2010	0	0	0	0
10-3-0138	Syracuse, City of, FY 2009	Jun. 04, 2010	0	0	0	0
10-3-0139	Nanwalek IRA Council, FY 2008	Jun. 08, 2010	0	0	0	0
10-3-0141	Ekalaka, Town of, FY 2009	Jun. 08, 2010	0	0	0	0
10-3-0142	Cavalier, City of, FY 2009	Jun. 08, 2010	0	0	0	0
10-3-0143	Syracuse University, FY 2009	Jun. 08, 2010	0	0	0	0
10-3-0149	Anaconda-Deer Lodge County, FY 2009	Jun. 21, 2010	0	0	0	0
10-3-0150	Buffalo, Town of the City of, FY 2009	Jun. 21, 2010	0	0	0	0
10-3-0152	Bridgeport, City of, FY 2009	Jun. 22, 2010	0	0	0	0
10-3-0153	Novato Sanitary District, FY 2009	Jun. 22, 2010	0	0	0	0
10-3-0155	West Central Highlands Resource Conservation and Development Council, FY 2009	Jun. 22, 2010	0	0	0	0
10-3-0156	Kuskokwim Native Association, FY 2008	Jun. 23, 2010	0	0	0	0
10-3-0157	Ekuk Village Council, FY 2009	Jun. 25, 2010	\$66,414	0	0	0
10-3-0158	New Mexico Finance Authority, FY 2009	Jun. 25, 2010	0	0	0	0
10-3-0159	Arizona, State of, FY 2009	Jun. 25, 2010	0	0	0	0
10-3-0161	Mason County, FY 2009	Jun. 29, 2010	0	0	0	0
10-3-0162	New York Indoor Environmental Quality Center, FY 2008	Jul. 02, 2010	2,366	0	0	0
10-3-0163	Guam, Government of, FY 2009	Jul. 13, 2010	0	0	0	0
10-3-0164	Guam Waterworks Authority, FY 2009	Jul. 13, 2010	0	0	0	0
10-3-0167	Northern Mariana Islands, Commonwealth of, FY 2009	Jul. 19, 2010	0	\$9,550	0	0
10-3-0168	Bird Island, City of, FY 2009	Jul. 21, 2010	0	0	0	0
10-3-0169	Southeast Rural Community Assistance Project Inc., FY 2009	Jul. 21, 2010	0	0	0	0
10-3-0170	Springsteel Island Sanitary District, FY 2008	Jul. 21, 2010	0	0	0	0
10-3-0171	Red Cliff Band of Lake Superior Chippewas, FY 2009	Jul. 21, 2010	0	40,986	0	0
10-3-0172	Livingston, City of, FY 2009	Jul. 21, 2010	0	0	0	0
10-3-0178	Logistics Management Institute, FY 2009	Aug. 06, 2010	0	0	0	0
10-3-0179	Kearney, City of, FY 2009	Aug. 11, 2010	0	0	0	0
10-3-0180	Long Grove, City of, FY 2009	Aug. 11, 2010	0	0	0	0
10-3-0181	Mt. Vernon, City of, FY 2009	Aug. 11, 2010	0	0	0	0
10-3-0182	Douglas, City of, FY 2009	Aug. 11, 2010	0	0	0	0
10-3-0183	Buffalo, City of, FY 2009	Aug. 11, 2010	0	0	0	0
10-3-0184	Metropolitan Water District of Southern California, FY 2009	Aug. 12, 2010	0	0	0	0
10-3-0185	Murrieta, City of, FY 2009	Aug. 12, 2010	0	0	0	0
10-3-0186	West Burlington, City of, FY 2009	Aug. 16, 2010	0	0	0	0
10-3-0187	Lake Michigan Air Directors Consortium, FY 2009	Aug. 16, 2010	0	0	0	0
10-3-0188	South Carolina, State of, FY 2009	Aug. 24, 2010	0	0	0	0
10-3-0189	Mifflintown Municipal Authority, FY 2009	Aug. 18, 2010	0	0	0	0
10-3-0190	Cochranon, Borough of, FY 2009	Aug. 18, 2010	0	0	0	0
10-3-0191	Avondale, City of, FY 2009	Aug. 18, 2010	0	0	0	0
10-3-0192	Cass Rural Water Users District, FY 2009	Aug. 18, 2010	0	0	0	0
10-3-0193	Health Effects Institute, FY 2009	Aug. 20, 2010	0	0	0	0
10-3-0195	Westminster, City of, FY 2009	Aug. 24, 2010	0	0	0	0
10-3-0196	Western States Resources Council, FY 2009	Aug. 25, 2010	0	0	0	0
10-3-0197	Sun'aq Tribe of Kodiak, FY 2009	Aug. 25, 2010	0	0	0	0
10-3-0198	Yucaipa Valley Water District, FY 2009	Aug. 25, 2010	0	0	0	0
10-3-0199	Fort Benton, City of, FY 2009	Aug. 25, 2010	0	0	0	0
10-3-0200	Marion, City of, FY 2009	Aug. 26, 2010	0	0	0	0
10-3-0201	Banning, City of, FY 2009	Aug. 26, 2010	0	0	0	0
10-3-0203	Pennsylvania, Commonwealth of, FY 2009	Aug. 30, 2010	0	0	0	0
10-3-0204	Illinois, State of, FY 2009	Aug. 30, 2010	0	0	0	0
10-3-0205	Pojoaque, Pueblo of, FY 2009	Sep. 01, 2010	0	0	0	0
10-3-0206	Ventura, County of, FY 2009	Sep. 01, 2010	0	0	0	0
10-3-0207	Lakeland, City of, FY 2009	Sep. 01, 2010	0	0	0	0
10-3-0208	Nogales, City of, FY 2008	Sep. 01, 2010	0	0	0	0
10-3-0209	American Medical Association and Subsidiary, FY 2009	Sep. 02, 2010	0	0	0	0
10-3-0214	Southern Ute Indian Tribe, FY 2009	Sep. 07, 2010	0	0	0	0
10-3-0215	Eight Northern Indian Pueblo Council, FY 2009	Sep. 07, 2010	0	0	0	0
10-3-0216	Rutland, City of, FY 2009	Sep. 07, 2010	0	0	0	0
10-3-0219	Te-Moak Tribe of Western Shoshone/Battle Mountain Band Council, FY 2009	Sep. 08, 2010	0	0	0	0
10-3-0220	Fred Hutchinson Cancer Research Center, FY 2009	Sep. 08, 2010	0	0	0	0
10-3-0221	New York University School of Medicine, FY 2007	Sep. 08, 2010	0	0	0	0
10-3-0222	Michigan Department of Environmental Quality	Sep. 13, 2010	41,161	13,699	0	0
10-3-0223	Detroit, City of, Michigan, FY 2009	Sep. 13, 2010	0	0	0	0
10-3-0225	Kearns Improvement District, FY 2009	Sep. 14, 2010	0	0	0	0
10-3-0226	Superior, Town of, Montana, FY 2009	Sep. 16, 2010	0	0	0	0
10-3-0227	Milwaukee Redevelopment Authority, FY 2009	Sep. 16, 2010	0	0	0	0
10-3-0228	Minnesota Environmental Initiative, FYs 2008 and 2009	Sep. 16, 2010	0	0	0	0
10-3-0231	New Mexico Finance Authority, FY 2007	Sep. 22, 2010	0	0	0	0

Report no.	Report title	Date	Questioned costs			Federal recommended efficiencies
			Ineligible costs	Unsupported costs	Unreasonable costs	
10-3-0232	Southwest Research Institute, FY 2007	Sep. 23, 2010	0	0	0	0
10-3-0233	Howard University, FY 2009	Sep. 23, 2010	0	0	0	0
10-3-0235	Atchison, City of, FY 2009	Sep. 28, 2010	0	0	0	0
10-3-0236	Brown University, FY 2009	Sep. 28, 2010	0	0	0	0
10-3-0237	Nevada System of Higher Education, FY 2009	Sep. 29, 2010	0	0	0	0
10-3-0238	Pelican, City of, FY 2009	Sep. 29, 2010	0	0	0	0
10-3-0239	Bay Foundation of Morro Bay, FY 2009	Sep. 30, 2010	0	0	0	0
	<b>TOTAL SINGLE AUDIT REPORTS = 106</b>		<b>\$124,609</b>	<b>\$139,235</b>	<b>\$0</b>	<b>\$0</b>
<b>CONTRACT REPORTS</b>						
10-4-0173	Missouri Electric Final Mixed Funding Claim	Jul. 26, 2010	0	0	0	0
10-4-0202	CERCLA Claim White House Oil Pits Superfund Site #3	Aug. 30, 2010	0	0	0	0
	<b>TOTAL CONTRACT REPORTS = 2</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FINANCIAL STATEMENT REPORTS</b>						
10-2-0131	Agreed-Upon Procedures for EPA's FY 2010 First Quarter Financial Statements	May 19, 2010	0	0	0	0
10-2-0166	Agreed-Upon Procedures for EPA's FY 2010 Second Quarter Financial Statements	Jul. 19, 2010	0	0	0	0
10-2-0240	Agreed-Upon Procedures for EPA's FY 2010 Third Quarter Financial Statements	Sep. 30, 2010	0	0	0	0
	<b>TOTAL FINANCIAL STATEMENT REPORTS = 3</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 REPORTS</b>						
10-R-0113	EPA Should Improve Its Contractor Performance Evaluation Process	Apr. 26, 2010	0	0	0	0
10-R-0132	Site Inspection, Ultraviolet Treatment/Disinfection Project, Bremerton, Washington	May 26, 2010	0	0	0	0
10-R-0147	Site Inspection, High-Rate Water Treatment Facility, Newark, Ohio	Jun. 16, 2010	0	0	0	0
10-R-0151	EPA Submitted Accurate and Timely Recovery Act Financial Reports	Jun. 22, 2010	0	0	0	0
10-R-0234	Review of the Effectiveness of EPA Data Quality Review Processes	Sep. 27, 2010	0	0	0	0
10-X-0175	Congressional Request on Recovery Act Signs and Logos	Aug. 02, 2010	0	0	0	0
	<b>TOTAL AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 REPORTS = 6</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>OTHER REPORTS</b>						
10-N-0114	Compendium of Unimplemented Recommendations as of March 31, 2010	Apr. 28, 2010	0	0	0	0
10-N-0134	EPA OIG Quality Assurance Review - 2008 and 2009	Jun. 02, 2010	0	0	0	0
10-N-0145	Investigation of Allegations on Environmental Justice Issues in EPA Region 4	Jun. 14, 2010	0	0	0	0
10-N-0148	Congressional Inquiry on EPA's Handling of a Proposed Legislative Amendment	Jun. 21, 2010	0	0	0	0
	<b>TOTAL OTHER REPORTS = 4</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
	<b>TOTAL REPORTS ISSUED = 148</b>		<b>\$203,677</b>	<b>\$1,067,857</b>	<b>\$0</b>	<b>\$0</b>

## Appendix 2 - Reports Issued Without Management Decisions

### For reporting period ended September 30, 2010

The Inspector General Act requires a summary of each audit report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each such report. OMB Circular A-50 requires resolution within 6 months of a final report being issued. In this section, we report on audits with no management decision or resolution within 6 months of final report issuance. In the summaries below, we note the Agency's explanation of the reasons a management decision has not been made, the Agency's desired timetable for achieving a management decision, and the OIG followup status as of September 30, 2010.

#### Office of Air and Radiation

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

*Summary:* Our analysis of EPA emissions data for "serious," "severe," and "extreme" ozone nonattainment areas indicated that some major metropolitan areas may not have achieved the required 3 percent annual emission reductions in ozone precursor emissions. While EPA air trends reports have emphasized that ozone levels are declining nationally and regionally, only 5 of 25 nonattainment areas designated serious to extreme had substantial downward trends. EPA provided an action plan to the OIG that provided a partial list of actions planned, and we closed 8 of the 25 recommendations. We believed that we may have been able to close six recommendations once the final Milestone Compliance Demonstration rule was promulgated. However, in May 2006, EPA told us it had decided not to issue the rule; it instead planned to issue guidance that EPA regions could share with states. We did not agree that guidance is an acceptable alternative. As of September 12, 2008, the Agency had not agreed with the other recommendations and had not submitted a complete response that addresses all the recommendations in the report. We will continue to follow up on the Agency's actions.

*Agency Explanation:* EPA recently issued a lower ozone standard and is completing reconsideration of that standard. Based on the resulting classifications of ozone attainment and nonattainment areas, EPA will revisit the effectiveness of the OIG's recommendations for Milestone Compliance Demonstration guidance. Resolution expected by June 2011.

*OIG Followup Status:* Incomplete response received.

##### Report No. 08-P-0020, Maximum Achievable Control Technology Implementation Progress and Challenges, October 31, 2007

*Summary:* EPA's National Emissions Inventory data indicate an overall decline in air toxic emissions concurrent with implementation of the maximum achievable control technology standards. EPA plans to use National Emissions Inventory data to assess the public health risk remaining from maximum achievable control technology sources of air toxics emissions, but the reliability of the data for site-specific emissions varies considerably. EPA has not established objectives that define an acceptable level of quality for National Emissions Inventory data used in the residual risk process. EPA guidance recommends that program offices develop data quality objectives for using data in such decisionmaking processes. Given the uncertainties associated with National Emissions Inventory data, EPA could over- or underestimate the public health risk from maximum achievable control technology sources of emissions. Overstating risk could result in EPA placing regulations on industries that are not cost beneficial. Conversely, understating risk could result in EPA not requiring regulations where needed to protect public health. The Agency has not agreed with our recommendation to establish the recommended state reporting requirements, and we consider the issue unresolved.

*Agency Explanation:* The Agency concurs with the objective of the OIG's recommendations and provided the OIG with updated corrective actions on August 4, 2010. Estimate resolution by January 2011.

*OIG Followup Status:* Resolution under negotiation in headquarters.

**Report No. 09-P-0125, Effect of Efforts to Address Air Emissions at Selected Ports, March 23, 2009**

*Summary:* While EPA has issued air emissions regulations for most port sources, EPA's actions to address air emissions from large oceangoing vessels in U.S. ports have not yet achieved the goals for protecting human health. The Clean Air Act provides EPA with the authority to regulate emissions from oceangoing vessel engines. EPA has deferred taking a position on whether it has authority to regulate emissions from foreign-flagged vessels, which account for about 90 percent of U.S. port calls. We recommended that EPA assess its authorities and responsibilities under the Clean Air Act to regulate air emissions from foreign-flagged vessels in U.S. ports, and report any shortfalls to Congress. In its 90-day response, EPA said it would describe the legal analyses of stakeholders regarding this issue and make the description available to Congress through the preamble to a proposed rule for new Category 3 marine diesel engines. However, describing the legal analyses of others does not meet the intent of our recommendation. We recommended that EPA assess its authorities and responsibilities under the Clean Air Act to regulate air emissions from foreign-flagged vessels in U.S. ports and report any shortfalls to Congress, but EPA's comments were not responsive. We also recommended that EPA revise its ports strategy to include a transformation plan, but EPA did not agree with that recommendation.

*Agency Explanation:* The Office of Air and Radiation sent a memorandum (dated March 19, 2010) to the OIG outlining actions that will address all open corrective actions. EPA is leaving the first recommendation open pending further discussion with the OIG.

*OIG Followup Status:* Incomplete response received.

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

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

*Agency Explanation:* EPA has undertaken studies to obtain additional information related to the accuracy and reliability of test devices. This effort is expected to be complete by spring 2011 when appropriate updates to the documents will also be completed. The Office of Air and Radiation continues to negotiate with the OIG on the recommendation and is preparing a memorandum to outline actions and proposed dates for addressing the recommendation.

*OIG Followup Status:* Incomplete response received.

**Financial Analysis and Rate Negotiation Service Center****Report No. 2004-1-00099, Lockheed Martin Services Group – FYE 12/31/2002 Incurred Cost, August 23, 2004**

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

*Summary:* DCAA determined that the contractor's information technology system general internal controls were inadequate in part.

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

*Summary:* We will close two audits under this account control number, A/N 4171-2005B13500001, dated September 25, 2006, and A/N 4171-2006B13500001, dated February 27, 2007. This corrects a mix-up in the account control numbers assigned to requested DCAA audits. In A/N 4171-2005B13500001, dated September 25, 2006, DCAA determined that the floorchecks disclosed no significant deficiencies in the contractor's timekeeping or labor system in FY 2005. DCAA did not express an opinion on the adequacy of the contractor's labor accounting system taken as a whole. In A/N 4171-2006B13500001, dated February 27, 2007, DCAA determined that certain labor practices require corrective actions to improve the reliability of the contractor's labor accounting system. DCAA did not express an opinion on the adequacy of the contractor's labor accounting system taken as a whole.

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

*Summary:* DCAA determined that the contractor's claimed direct costs are acceptable; however, DCAA questioned \$2,082,837 in proposed indirect costs and rates. Further, DCAA applied penalties in accordance with Federal Acquisition Regulation 42.709, and identified expressly unallowable costs subject to penalty that had been allocated to various contracts specified in Federal Acquisition Regulation 42.709(b), including 11 EPA contracts. Of the questioned costs, EPA's total share of questioned costs is \$197,869, of which \$164,163 is questioned overhead costs and \$33,706 is questioned general and administrative costs.

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

*OIG Followup Status:* Resolution pending receipt of additional information.

**Report No. 08-1-0131, Washington Group International, Inc. – FY 2001 Incurred Costs, April 15, 2008**

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

**Report No. 08-1-0130, Morrison Knudsen Corporation – FY 1999 Incurred Costs, April 15, 2008**

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

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

*Summary:* In DCAA's opinion, the contractor was in noncompliance with Cost Accounting Standard 409 during the period January 1, 2006, through December 31, 2006.

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

*Summary:* In DCAA's opinion, the contractor's information technology system of general internal controls was inadequate in part. DCAA's examination noted significant deficiencies in the design or operation of the internal control structure that could adversely affect the contractor's ability to record, process, summarize, and report direct and indirect costs in a manner consistent with applicable government contract laws and regulations.

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

*OIG Followup Status:* Resolution pending receipt of additional information.

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

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

*Agency Explanation:* This audit is awaiting additional information on the resolution of the questioned costs and rates by the cognizant federal agency (Defense Contract Management Agency).

*OIG Followup Status:* Resolution pending receipt of additional information.

**Grants and Interagency Agreements Management Division****Report No. 2003-4-00120, Geothermal Heat Pump Consortium, Inc. – Costs Claimed, September 30, 2003**

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

*Agency Explanation:* The branch chief and associate award official met with Office of General Counsel on January 22 to discuss our review of the audit and options for resolution. Although we have made some progress, we are continuing to work toward an agreement on which costs are unallowable. We are reviewing submitted procurement actions and costs documentation. Our next meeting will be in late April to discuss the resolutions agreed upon in our Office of General Counsel meeting and next steps. Further meetings with the Office of General Counsel and the Grants and Interagency Agreements Management Division director are required to evaluate the recommendation to count membership fees as program income before a final determination can be issued. Expect resolution by October 31, 2010.

*OIG Followup Status:* No response.

**Report No. 09-3-0213, National Congress of American Indians – FY 2007, August 17, 2009**

*Summary:* Employees and supervisors did not always sign timesheets. As a result, the single auditor questioned labor charged of \$10,965 as unsupported, of which \$5,467 was for EPA grants. The recipient also did not submit its indirect cost rate proposal within the required timeframe. Additionally, EPA's special grant conditions state that the recipient is not allowed to claim indirect costs unless its indirect cost rate agreement has been sent to the cognizant agency for approval. As a result, we questioned indirect costs of \$25,155 as unsupported.

*Agency Explanation:* EPA indicated it is issuing a management decision memorandum by October 29, 2010.

*OIG Followup Status:* No response.

**Report No. 10-4-0067, Incurred Cost Audit of Three EPA Cooperative Agreements Awarded to National Tribal Environmental Council, Inc., February 17, 2010**

*Summary:* We questioned \$2,802,222 of the \$3,586,445 reported because the recipient claimed unsupported costs of \$2,768,490 and ineligible costs of \$33,732 that did not comply with the financial and program management standards of Title 40, Code of Federal Regulations, Subpart B, Part 30. While the recipient's work plans describe activities and planned deliverables, they do not include a description of the recipient's goals or objectives for its participation in the Western Regional Air Partnership and National Tribal Air Association. Without the goals and objectives, the annual reports could not include a comparison of accomplishments with the objectives for the period, as required by Title 40, Code of Federal Regulations, Subpart B, Part 30.51. As a result, EPA cannot determine whether the funds EPA provided the recipient achieved their intended purpose.

*Agency Explanation:* The Agency sent the National Tribal Environmental Council a certified letter requesting a corrective actions plan and a schedule for submitting support documents for questioned costs. The council's response was due October 8, 2010, and final determination was due by EPA on October 15, 2010.

*OIG Followup Status:* No response.

**Office of Enforcement and Compliance Assurance****Report No. 08-P-0278, Strategic Planning in Priority Enforcement Areas, September 25, 2008**

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

attaining the strategy's overall goal. The absence of these elements hinders the Office of Enforcement and Compliance Assurance from monitoring progress and achieving desired results in a timely and efficient manner.

*Agency Explanation:* The OIG issued a memorandum to the Office of Enforcement and Compliance Assurance on January 20, 2010, that requested this office to change the designation of recommendation 2-2 in the Management Audit Tracking System to "unresolved" and include it in the list of recommendations unresolved after a year. The OIG indicated that it would pursue this matter through the formal EPA audit resolution process.

*OIG Followup Status:* Referred to Audit Resolution Board.

#### Office of Chemical Safety and Pollution Prevention

##### **Report No. 10-P-0066, EPA Needs a Coordinated Plan to Oversee Its Toxic Substances Control Act Responsibilities, February 17, 2010**

*Summary:* EPA is responsible for ensuring that new chemicals entering commerce do not pose unreasonable risk to human health and the environment. The Office of Chemical Safety and Pollution Prevention (formerly the Office of Prevention, Pesticides, and Toxic Substances) is responsible for reviewing industry submissions and managing risks from new chemicals. We conducted this evaluation to review EPA's implementation of the Toxic Substances Control Act. We found that EPA does not have integrated procedures and measures in place to ensure that new chemicals entering commerce do not pose an unreasonable risk to human health and the environment. We made various recommendations, including establishing a management plan, and EPA agreed with our recommendations.

*Agency Explanation:* The OIG is currently reviewing a revised corrective actions plan, and the plan is expected to be in place no later than October 29, 2010.

*OIG Followup Status:* No response.

#### Office of Environmental Information

##### **Report No. 10-P-0058, Self-Reported Data Unreliable for Assessing EPA's Computer Security Program, February 2, 2010**

*Summary:* The oversight and monitoring procedures for the Automated Security Self-Evaluation and Remediation Tracking System provide limited assurance the data are reliable for assessing EPA's computer security program. Limited independent reviews and lack of followup inhibit EPA's ability to identify and correct data inaccuracies. Information security personnel believe they need more training on how to assess security controls and feel pressure to answer system security questions in a positive manner.

*Agency Explanation:* The OIG has not yet agreed with the proposed due dates. Expect resolution by October 31, 2010.

*OIG Followup Status:* Incomplete response received.

#### Region 1 – Regional Administrator

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

*Summary:* The tribe did not submit financial status reports within required timeframes. For the EPA partnership performance grants, the single auditor reported that the tribe did not have records or formal calculations to demonstrate that it met the matching requirements under these grants. Payroll issues were noted, as well as \$26,134 in unsupported costs. There also were 17 cross-cutting findings. The U.S. Department of Health and Human Services is the oversight agency responsible for audit resolution, but we reported these findings to EPA as they may impact EPA grant funds.

*Agency Explanation:* The resolution of this audit is rolled into discussion of resolution of the FY 2008 audit, since issues carry over. Expect resolution by April 2011.

*OIG Followup Status:* No response.

**Report No. 09-3-0024, Indian Township Tribal Government, FY 2007, November 12, 2008**

*Summary:* There are several EPA grants for which the official time period has expired; however, the tribe still has funds available under these grants and potential related expenditures. To have access to these funds, the tribe should request time extensions from EPA. The tribe has drawn funds from various federal programs to pay general fund expenditures, which is not allowable. The single auditors noted a net deficit to federal programs of \$189,961. The tribe recognized that this condition existed due to misappropriation activities by the former tribal governor.

*Agency Explanation:* The resolution of this audit is rolled into discussion of resolution of the FY 2008 audit, since issues carry over. Expect resolution by April 2011.

*OIG Followup Status:* No response.

**Report No. 09-3-0191, New Hampshire, State of, FY 2008, August 12, 2009**

*Summary:* Administrative and direct program cost drawdowns were not in accordance with the agreement entered between the secretary of the treasury, U.S. Department of the Treasury, and the state. Also, costs that met the definition of indirect costs were charged directly to the grant and were not included in the indirect cost rate.

*Agency Explanation:* The state continues to work with Treasury to resolve. Expect resolution by November 30, 2010.

*OIG Followup Status:* No response.

**Region 4 – Regional Administrator****Report No. 10-4-0001, Internal Control Weaknesses under EPA Grant Nos. I004802070 and BG96483308, Awarded to the Eastern Band of Cherokee Indians, Cherokee, North Carolina, October 5, 2009**

*Summary:* The OIG received a Hotline complaint regarding EPA assistance agreement nos. I004802070 and BG96483308, awarded to the Eastern Band of Cherokee Indians, Cherokee, North Carolina. The grantee did not have a conflict of interest, as alleged, and its Standard Form 272s are correct and prepared in compliance with federal requirements, EPA policies, and grant terms and conditions. However, during the course of our examination, we identified significant deficiencies in internal control concerning equipment purchases and segregation of duties. Some purchase authorizations were dated the same day equipment was delivered, three quotes were not always obtained, and purchases were not always properly authorized. Also, one employee was authorized to write grant proposals; solicit funding to carry out the program goals; prepare budgets; oversee the expenditure of funds; and purchase, maintain, repair, and inventory all equipment. We recommended that EPA require the grantee to comply with its internal control policies and establish additional internal controls as needed.

*Agency Explanation:* The OIG did not accept Region 4's final management determination letter dated September 22, 2010, because the response did not address the recommendations. The grants management officer submitted a revised final management determination letter on September 30, 2010, and we anticipate an OIG agreement date by October 1, 2010.

*OIG Followup Status:* Resolution pending receipt of additional information.

**Report No. 10-4-0003, Costs Claimed Under EPA Grant XP97424901 Awarded to West Rankin Utility Authority, Flowood, Mississippi, October 13, 2009**

*Summary:* The grantee did not meet the procurement and financial management requirements of Title 40 Code of Federal Regulations Part 31. As a result, we questioned \$1,745,457 in unsupported architectural and engineering costs claimed. The grantee will need to repay \$663,321 of grant funds. The grantee did not agree with those questioned costs. Due to the noncompliances and internal control weaknesses noted, the grantee may not have the capability to manage future grant awards.

*Agency Explanation:* The OIG determined that the proposed final determination letter, dated February 10, 2010, is incomplete for recommendation 1. The OIG is requesting that EPA Region 4 issue a deviation to the recipient for noncompliance with Title 40 Code of Federal Regulations 31.36(f). Region 4 will continue to work with the OIG to resolve this issue. For recommendation 4, the OIG would like an affirmative statement that EPA reviewed the recipient's policies and procedures and determined that they complied with applicable federal requirements. The grantee agreed to establish written policies and procedures for procurement, financial management, and monitoring grant activities. The grantee did not concur with the questioned costs, lack of a financial management system, grant

monitoring noncompliance, and the designation as a high risk grantee. The grantee also disagreed with the audit finding on its recordkeeping.

*OIG Followup Status:* No response.

**Report No. 10-4-0013, Costs Claimed Under EPA Grant No. XP9468195 Awarded to the City of Flowood, Mississippi, October 27, 2009**

*Summary:* The grantee did not perform a cost analysis or negotiate a fair and reasonable profit as a separate element of the contract price as required under Title 40 Code of Federal Regulations 31.36(f). As a result, we questioned \$1,755,157 in unsupported architectural and engineering costs claimed. The grantee will need to repay \$896,224 of grant funds. The grantee did not agree with those questioned costs.

*Agency Explanation:* The OIG determined that the proposed final determination letter, dated March 15, 2010, is incomplete for recommendation 1. The OIG is requesting that EPA Region 4 issue a deviation to the recipient for noncompliance with Title 40 Code of Federal Regulations 31.36(f). Region 4 will continue to work with the OIG to resolve this issue. The grantee agreed with the recommendations to develop written procurement and recordkeeping procedures. However, the grantee did not agree with the questioned costs and stated that it had performed the equivalent of the required cost analysis for its architectural and engineering contract.

*OIG Followup Status:* No response.

**Region 8 – Regional Administrator**

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

*Summary:* The tribe did not comply with the financial and program management standards under Title 40 Code of Federal Regulations Parts 31 and 35 and OMB Circular A-87. We questioned \$3,101,827 of the \$3,736,560 in outlays reported. The tribe's internal controls were not sufficient to ensure that outlays reported complied with federal cost principles, regulations, and grant conditions. In some instances, the tribe also was not able to demonstrate that it had completed all work under the agreements and had achieved the intended results.

*Agency Explanation:* We were able to utilize a federal contract and provide tribal staff (programmatic and financial) with comprehensive grants management training that will hopefully provide the general understanding to those involved with EPA funds management. The next step is to work with the tribe to implement procedures/controls to assure that the compliance requirements are consistently met. Expect to close the audit by March 31, 2011.

*OIG Followup Status:* No response.

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

*Summary:* The single auditor findings indicate the tribe may not be able to support costs claimed under EPA grants. As a result, we are questioning the costs claimed of \$1,158,903.

*Agency Explanation:* EPA is working with the tribe. Expect to close the audit by March 31, 2011.

*OIG Followup Status:* No response.

**Report No. 09-3-0252, Oglala Sioux Tribe, FY 2005, September 29, 2009**

*Summary:* The single auditor's findings indicate that the tribe may not be able to support the costs claimed under EPA grants. As a result, we are questioning the costs claimed in 2005 of \$307,323 as being unsupported.

*Agency Explanation:* We continue to work with the tribe to address the deficiencies in its management and accounting systems. We have a series of meetings set up with the tribe's Environmental and Finance Departments over the next 5 months to work with the tribe to identify and overcome its performance limiting factors through adherence to existing policies and procedures and/or development of new policies and procedures that better serve its (and our) needs. Once these new practices are fully implemented and tested, we will recommend that the audit be closed. Expect resolution by October 31, 2010.

*OIG Followup Status:* No response.

**Report No. 09-3-0253, Oglala Sioux Tribe, FY 2006, September 30, 2009**

*Summary:* The single auditor's findings indicate that the tribe may not be able to support the costs claimed under EPA grants. As a result, we are questioning the costs claimed in 2006 of \$530,042 as being unsupported.

*Agency Explanation:* We continue to work with the tribe to address the deficiencies in its management and accounting systems. We have a series of meetings set up with the tribe's Environmental and Finance Departments to work with the tribe to identify and overcome its performance limiting factors through adherence to existing policies and procedures and/or development of new policies and procedures that better serve its (and our) needs. Once these new practices are fully implemented and tested, we will recommend that the audit be closed. Expect resolution by October 31, 2010.

*OIG Followup Status:* No response

**Report No. 10-3-0092, Montana, State of, FYs 2008 and 2009, March 31, 2010**

*Summary:* The June 30, 2007, audit of the program financial statements for the State of Montana disclosed material weaknesses in the control over financial reporting, the Water Pollution Control State Revolving Fund balance not being properly recorded, and material financial statement compilation and classification errors. The auditors questioned \$96,916.

*Agency Explanation:* Montana Department of Environmental Quality has answered all questions and submitted its corrective actions plan. However, Montana Department of Agriculture has not been able to verify its carry forward for 2007–2008. We are currently working with the department to determine the next course of action. Anticipated resolution date is December 31, 2010.

*OIG Followup Status:* No response.

**Region 9 – Regional Administrator****Report No. 09-3-0218, Northern Mariana Islands, Commonwealth of, FY 2007, August 24, 2009**

*Summary:* Of 35 nonpayroll expenditures of the Environmental Protection Consolidated Grants Program tested involving \$320,208, there was no indication that price or rate quotations were obtained from an adequate number of qualified sources for six items that qualified under small purchase procedures. The single auditors questioned \$17,027. Also, property records had incomplete information, reporting of accumulated expenditures was inconsistent, the policy for competitive procurement for items less than \$2,500 did not conform to federal requirements, and procurement procedures did not include procedures related to airfare.

*Agency Explanation:* The project officer and accounting staff still need the missing general ledger report from the recipient's accounting system, which should reflect the numbers on the financial statement report. In addition, we still need procedures.

*OIG Followup Status:* No response.

**Report No. 09-3-0248, Northern Mariana Islands, Commonwealth of, FY 2008, September 24, 2009**

*Summary:* We questioned \$19,501 of direct costs as unsupported. Another \$78,763 in unsupported costs was noted in relation to indirect cost rates. The auditee's noncompliance with procurement regulations resulted in \$56,969 in ineligible costs. Because of a lack of compliance in relation to accounting for program income, \$11,685 in ineligible costs was noted. Property records were not reconciled and accumulated expenditures were not properly recorded.

*Agency Explanation:* The project officer and accounting staff have completed their review of submitted documents. However, there is still an issue with the indirect cost claimed by the recipient: it falls outside the project period. Additional information has been requested but not received. A final determination letter should be prepared and routed for signature within the month of the receipt of the additional indirect cost information.

*OIG Followup Status:* No response.

**Report No. 10-2-0054, Examination of Costs Claimed under EPA Grant X96906001 Awarded to Walker Lake Working Group, Hawthorne, Nevada, January 6, 2010**

*Summary:* The grantee did not meet financial management requirements specified by Title 40 Code of Federal Regulations Part 30 and Title 2 Code of Federal Regulations Part 230. In particular, the grantee claimed contract costs that were not allowable because analysis and administration requirements were not met. Travel and other direct costs were not allowable because documentation requirements or cost principles were not met. The grantee's financial status report was also not supported by accounting system data. Because of these issues, EPA should recover \$384,678 in questioned costs under the grant.

*Agency Explanation:* The Grants Management Office has been working with the OIG to address issues in a final determination letter, which is targeted for completion by December 31, 2010.

*OIG Followup Status:* Incomplete response received.

**Report No. 10-3-0051, Cahuilla Band of Indians, FY 2005, December 18, 2009**

*Summary:* Audit procedures revealed that required reports under the grant agreement were either not filed at all or not filed in a timely manner. The tribe did not use the accrual basis of accounting in accordance with generally accepted accounting principles. In addition, adjusting entries made by the prior year auditor to record proper accruals were not posted to the tribe's general ledger.

*Agency Explanation:* An enforcement warning letter was sent to the recipient on March 25, 2010. We are still awaiting a response from the Cahuilla Band of Indians on the FYs 2005 and 2006 single audits. Unless an acceptable response is received from the tribe by August 30, 2010, the grants office will send a notice of grant enforcement letter to Cahuilla by September 30, 2010.

*OIG Followup Status:* No response.

**Report No. 10-3-0052, Cahuilla Band of Indians, FY 2006, December 18, 2009**

*Summary:* In addition to issues noted in the FY 2005 audit, we found that the employment of 44 percent of tribal employees could not be supported with any form of authorization-to-hire documents, and amounts paid could not be supported for 36 percent of the sample. Also, the tribe does not perform bank reconciliations.

*Agency Explanation:* An enforcement warning letter was sent to the recipient on March 25, 2010. We are still awaiting a response from the Cahuilla Band of Indians on the FYs 2005 and 2006 single audits. Unless an acceptable response is received from the tribe by August 30, 2010, the grants office will send a notice of grant enforcement letter to Cahuilla by September 30, 2010.

*OIG Followup Status:* No response.

**Report No. 10-3-0073, Torres Martinez-Desert Cahuilla Indians, FY 2008, February 26, 2010**

*Summary:* Payroll testing disclosed that salaries and wage allocations between multiple activities were not found to be properly supported on individual employees' timesheets, and timesheets did not always identify the specific department/program in which the employee performed services.

*Agency Explanation:* The response is currently being submitted and, if approvable, a final determination letter will be prepared and routed for signature by October 29, 2010.

*OIG Followup Status:* No response.

**Report No. 10-4-0067, Incurred Cost Audit of Three EPA Cooperative Agreements Awarded to National Tribal Environmental Council, Inc., February 17, 2010**

*Summary:* We questioned \$2,802,222 of the \$3,586,445 reported because the recipient claimed unsupported costs of \$2,768,490 and ineligible costs of \$33,732 that did not comply with the financial and program management standards of Title 40 Code of Federal Regulations Subpart B Part 30. While the recipient's work plans describe activities and planned deliverables, they do not include a description of the recipient's goals or objectives for its participation in the Western Regional Air Partnership and National Tribal Air Association, which are needed to determine whether the intended purpose has been achieved.

*Agency Explanation:* EPA has provided the recipient with an outline of corrective actions needed to address the audit findings and requested the submittal of milestones and support documentation. A final determination letter may be available by March 31, 2011.

*OIG Followup Status:* No response.

### **Region 10 – Regional Administrator**

#### **Report No. 10-4-0086, Examination of Costs Claimed under EPA Grant XP98069201 Awarded to the City of Blackfoot, Idaho, March 29, 2010**

*Summary:* The grantee did not meet financial management requirements specified by Code of Federal Regulations. In particular, the grantee claimed contract costs of \$1,713,009 that were also claimed under two other federal grants, supply and labor costs of \$24,836 that were not supported by source documents, and supply and administration costs of \$6,684 that were not eligible because they did not meet cost principles. As a result of these issues, EPA should recover \$1,045,926 in questioned costs under the grant. The grantee also should be designated as “high-risk” in the Integrated Grants Management System, and special conditions should be imposed on all future awards of EPA funds to the grantee.

*Agency Explanation:* The OIG rejected the region’s proposed management decision. The region will provide another management decision by November 11, 2010.

*OIG Followup Status:* No response.

**Total reports issued before reporting period for which  
no management decision has been made as of September 30, 2010 = 46**

## Appendix 3 - Reports With Corrective Action Not Completed

In compliance with reporting requirements in the Inspector General Act, Section 5(a)(3), "Identification of Reports Containing Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed," and to help EPA managers gain greater awareness of outstanding commitments for action, we developed a *Compendium of Unimplemented Recommendations*. This separate document provides the information required in Appendix 3 to this semiannual report to Congress. This compendium (available upon request or at <http://www.epa.gov/oig/reports/2011/20101026-11-N-0006.pdf>) is produced semiannually for Agency leadership and Congress based on Agency reports on the status of action taken on OIG recommendations and OIG selective verification of that reported status.

## Appendix 4 - OIG Mailing Addresses and Telephone Numbers

### Headquarters

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

### Offices

#### Atlanta

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

#### Boston

U.S. Environmental Protection Agency  
Office of Inspector General  
5 Post Office Square, Suite 100 (OIG15-1)  
Boston, MA 02109-3912  
Audit/Evaluation: (617) 918-1470  
Investigations: (617) 918-1466

#### Chicago

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

#### Cincinnati

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

#### Dallas

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

#### Denver

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

#### Kansas City

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

#### New York

U.S. Environmental Protection Agency  
Office of Inspector General  
290 Broadway, Room 1520  
New York, NY 10007  
Audit/Evaluation: (212) 637-3080  
Investigations: (212) 637-3041

#### Philadelphia

U.S. Environmental Protection Agency  
Office of Inspector General  
1650 Arch Street, 3rd Floor  
Philadelphia, PA 19103-2029  
Audit/Evaluation: (215) 814-5800  
Investigations: (215) 814-5820

#### Research Triangle Park

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

#### San Francisco

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

#### Seattle

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

#### Winchester

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



## Report fraud, waste or abuse

e-mail: [OIG\\_Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)  
write: EPA Inspector General Hotline (2431M)  
1200 Pennsylvania Avenue NW  
Washington DC 20460  
fax: 202-566-1610 · phone: 1-888-546-8740  
[www.epa.gov/oig/hotline.htm](http://www.epa.gov/oig/hotline.htm)



**It's your money**  
**It's your environment**

