



U.S. ENVIRONMENTAL PROTECTION AGENCY

OFFICE OF INSPECTOR GENERAL

EPA Office of Inspector General's Report on Reducing Fraud, Waste, and Abuse in the Small Business Innovative Research Program, as Required by the National Defense Authorization Act for Fiscal Year 2012, Pub. L. 112-81 (2012)

September 28, 2012



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

SEP 28 2012

THE INSPECTOR GENERAL

The Honorable Ralph Hall
Chairman
Committee on Science, Space, and Technology
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The U. S. Environmental Protection Agency (EPA) Office of Inspector General (OIG) is required by Section 5143 of the National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81 (2012), to report on reducing vulnerability to fraud, waste and abuse in the Small Business Innovative Research (SBIR) program. This letter constitutes the EPA OIG's report.

The Act requires Inspectors General to report on:

- (1) the number of cases referred to the Inspector General in the preceding year that related to fraud, waste, or abuse with respect to the SBIR program.
- (2) the actions taken in each case described in paragraph (1) if fraud, waste, or abuse was determined to have occurred.
- (3) if no action was taken in a case described in paragraph (1) and fraud, waste, or abuse was determined to have occurred, the justification for action not being taken.
- (4) an accounting of the funds used to address fraud, waste, and abuse, including a description of personnel and resources funded and funds that were recovered or saved.

For the period October 1, 2011 to September 1, 2012, EPA did not refer any cases involving SBIR to the OIG. For the same time period, EPA OIG spent \$10,235 in salaries for coordination with the agency and on proactive investigations of SBIR applications.

EPA OIG has worked with EPA's SBIR program staff to reduce vulnerabilities to fraud, waste, and abuse. On March 30, 2011, EPA OIG issued a report on the certifications SBIR recipients are required to provide, *EPA's Small Business Innovative Research Awards Should Include Additional Certifications to Reduce Risk*, Report No. 11-N-0199. The report found that EPA was using most of the certifications recommended by the Council of Inspectors General on Integrity and Efficiency. Based on the recommendations in the report, EPA has begun requiring

additional certifications from SBIR recipients to deter fraudulent use of funds and assist in prosecution should such fraud occur.

We have also met with EPA SBIR program officials to discuss a format for making referrals to the OIG and including OIG hotline information in future solicitations for the SBIR program. The OIG is also developing training for SBIR program staff and recipients starting in fiscal year 2013.

A similar letter is being sent to Chairman Landrieu, Senate Committee on Small Business and Entrepreneurship, and Chairman Graves, House Committee on Small Business. If you or your staff have any questions regarding this report, please contact Eileen McMahon, Assistant Inspector General for Congressional and Public Affairs, at mcmahon.eileen@epa.gov or (202) 566-2391.

Sincerely,



Arthur A. Elkins, Jr.