U.S. Environmental Protection Agency
Office of Inspector General

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At a Glance

Why We Did This Review

We conducted this review to determine whether the U.S. Environmental Protection Agency's (EPA's) Contract Laboratory Program (CLP) has the controls to detect or prevent fraudulent analytical services or data produced by CLP laboratories, and whether those controls provide reasonable assurance that the potential for fraud is minimized. We also sought to identify how the EPA monitors laboratory fraud cases across the agency to inform its system of controls.

The CLP is a national network which includes EPA-approved contract laboratories whose primary service is the provision of analytical data of known and documented quality. Since the 1980 inception of the CLP, 180 CLP labs have performed over 3.7 million analyses on samples from more than 20,900 sites, at an expense of approximately $431.5 million.

This report addresses the following EPA goals or cross-agency strategies:

- *Protecting human health and the environment by enforcing laws and assuring compliance.*
- *Embracing EPA as a high-performing organization.*

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Fraud Controls for EPA's Contract Laboratory Program Are Adequate, but Can Be Strengthened With Formal Risk Assessment and Investigative Information Sharing

What We Found

The impacts of lab fraud include risks to human health and the undermining of EPA regulatory programs.

The CLP demonstrated four of five internal controls that provide reasonable assurance that the potential for laboratory fraud is minimized. One component—risk assessment—has not been formally documented. Rather, one CLP manager said they address fraud risks informally but on a continual basis, which results in the development of new tools and updated guidance documents. Formal risk assessment would provide the CLP assurance that its controls address risks, as well as provide a clear picture of efforts to address lab performance deficiencies.

Policies for EPA investigative offices do not require them to share information with program offices, or explain how or why lab fraud occurred. According to investigative units, there are additional reasons as to why they do not share information: a small caseload of lab fraud for them to data-mine trends; the inability to share sensitive information until a case closes; and resource limitations. Stakeholders we interviewed agreed with the merit of having investigative offices share relevant aspects of lab fraud findings, including methods and techniques used to commit the fraud. Stakeholders also agreed that investigative offices should share information to help program and regional offices strengthen and update their internal control systems for preventing and detecting lab fraud.

Recommendations and Planned Agency Corrective Actions

We recommend that the Assistant Administrator for the Office of Land and Emergency Management (OLEM) conduct and document a formal risk assessment of the CLP to determine whether additional internal controls are needed to mitigate detected risks. We also recommend that the Office of Enforcement and Compliance Assurance (OECA), and the Office of Inspector General (OIG) require investigative units to share pertinent information from laboratory fraud findings with relevant program and regional offices. Recommendations for OLEM and OECA are agreed-to with corrective actions pending. The OIG completed its corrective action.

Noteworthy Achievements

OLEM developed an electronic laboratory data validation package—the Electronic Data Exchange and Evaluation System (EXES)—that is being made available to other agency programs via pilot implementations. A new version of EXES is in the works, which will incorporate added controls based on a current CLP lab fraud case. This demonstrates OLEM's view of EXES as a dynamic system that will be periodically updated to reflect changes in the program.