



U.S. ENVIRONMENTAL  
PROTECTION AGENCY

# OFFICE OF INSPECTOR GENERAL

## Semiannual Report to Congress

April 1, 2013–September 30, 2013



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EPA-350-R-13-003  
November 2013

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\* Although there were no instances involving the EPA, there was an instance involving the CSB, as detailed on page 51.

### Abbreviations

CIA	Central Intelligence Agency
CMA	Computer Matching Agreement
CSB	U.S. Chemical Safety and Hazard Investigation Board
DCAA	Defense Contract Audit Agency
EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
IT	Information Technology
MSQPCR	Mold Specific Quantitative Polymerase Chain Reaction
NMED	New Mexico Environment Department
OIG	Office of Inspector General
OMB	Office of Management and Budget
ROI	Return on Investment
SES	Senior Executive Service
STAR	Science to Achieve Results
TDOT	Tennessee Department of Transportation

**Cover photos:** Scenes from the EPA warehouse in Landover, Maryland, where significant problems were noted. See page 7 for details. (EPA OIG photos)

### Hotline

To report fraud, waste or abuse, contact us through one of the following methods:

**email:** [OIG\\_Hotline@epa.gov](mailto:OIG_Hotline@epa.gov)  
**phone:** 1-888-546-8740  
**fax:** 1-202-566-2599  
**online:** <http://www.epa.gov/oig/hotline.htm>

**write:** EPA Inspector General Hotline  
 1200 Pennsylvania Avenue, NW  
 Mailcode 2431T  
 Washington, DC 20460

### Suggestions for Audits or Evaluations

To make suggestions for audits or evaluations, contact us through one of the following methods:

**email:** [OIG\\_WEBCOMMENTS@epa.gov](mailto:OIG_WEBCOMMENTS@epa.gov)  
**phone:** 1-202-566-2391  
**fax:** 1-202-566-2599  
**online:** [http://www.epa.gov/oig/contact.html#Full\\_Info](http://www.epa.gov/oig/contact.html#Full_Info)

**write:** EPA Inspector General  
 1200 Pennsylvania Avenue, NW  
 Mailcode 2410T  
 Washington, DC 20460



## Message to Congress

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During the semiannual reporting period, the Office of Inspector General (OIG) identified numerous areas in which improvements are needed at the U.S. Environmental Protection Agency (EPA) and the U.S. Chemical Safety and Hazard Investigation Board (CSB). At the EPA, we frequently encountered a theme of insufficient internal controls for managing people and other resources. With regard to the CSB, we took the rare step of invoking the Inspector General's "7-day letter" authority to compel the production of documents requested as part of an investigation.

The OIG's Strategic Plan goals guided our examination of the agencies' programs and operations. As illustrated by the examples below, we contributed to improved human health, safety and the environment, as well as to improved business practices and accountability, and were responsible stewards of taxpayer dollars. In all of our actions, we strived to achieve our remaining goal: Be the best in public service. In this comprehensive report, you will read about specific findings – some high-profile – and the recommendations we provided.



Arthur A. Elkins Jr.

### Fraud, Waste and Abuse

Three cases epitomized an absence of basic internal controls or oversight that resulted in substantial fraud, waste and abuse.

An OIG investigation led to a guilty plea by a former EPA senior policy adviser to multiple frauds, including cheating the federal government out of nearly \$900,000 in pay and expenses over more than a dozen years. John C. Beale collected pay for time he did not work, claimed expenses for personal travel, and received inappropriate bonuses, among other issues.

In another matter, OIG auditors found at the EPA's headquarters warehouse in Landover, Maryland, an inadequate record-keeping system; unusable, inoperable and obsolete items; multiple unauthorized and hidden personal spaces, or "man caves," as widely described by the news media; a large area with unauthorized exercise equipment for workers' personal use; potential safety hazards; unsecured personally identifiable information; and deplorable hygienic conditions. Shortly after we briefed the agency on our findings, the EPA issued a stop work order to the contractor operating the warehouse and also initiated an agencywide review of all of its warehouse and storage facilities.

Additionally, we participated in a multiagency investigation that ended with Halliburton Energy Services Inc. pleading guilty to destroying evidence pertaining to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. The company was fined the statutory maximum of \$200,000.

### Business Practices of Concern

During the reporting period, an audit conducted in response to a congressional request did not yield any evidence that the EPA had used, promoted or encouraged the use of private non-governmental email accounts to circumvent records management responsibilities. However, although not improper, we found that secondary EPA email accounts present risks to records management efforts, as the agency had not provided guidance and regular training to appropriate personnel on preserving such records.

In another audit, we found that oversight practices varied for the EPA's 41 external customer service lines reviewed, resulting in limited assurance that those lines achieved the desired results.

In two other audits, we found deficiencies in the EPA's financial management system for a St. Louis, Missouri, grantee, resulting in our questioning \$1.6 million in funding; and deficiencies in the financial management system for a San Francisco, California, grantee, resulting in our questioning nearly \$250,000.

As an outcome of our ongoing investigative efforts regarding two Superfund sites, a New Jersey jury convicted a former project manager for a prime contractor for his central role in conspiracies that spanned 7 years and involved kickbacks in excess of \$1.5 million at the sites; to date, nine individuals and three companies have been convicted or pleaded guilty in this investigation.

## **Human Health, Safety and the Environment**

During program evaluations, we found various areas in which the EPA can better protect human health and the environment.

For example, we noted that it does not have adequate information to ensure effective management of electronic waste to protect public health and conserve valuable resources.

Also, while the agency has implemented a number of activities to promote the security of drinking water systems, we determined that strategic planning and internal controls need to be strengthened to allow it to measure program performance and progress.

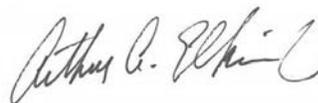
Another evaluation concluded that companies were using a mold index tool to evaluate homes for indoor mold even though the EPA had not validated or peer reviewed the tool for public use, which could cause the public to be misled into believing the tool was approved by the agency.

Further, we found that the EPA did not meet planned corrective-action milestones for completing a comprehensive toxicity assessment of asbestos to determine the cleanup level at the Libby, Montana, Superfund site.

### **7-Day Letter to CSB**

Section 5(d) of the Inspector General Act states that the Inspector General shall report immediately to the head of the establishment involved any particularly serious or flagrant problems, abuses or deficiencies relating to the administration of programs and operations of the establishment. Because the CSB refused to produce records requested in connection with an OIG law enforcement investigation involving CSB operations, we issued a "7-day letter" to that agency's Chairperson, identifying the refusal to produce the records as a particularly flagrant problem.

By adding value and transparency, the OIG will continue to promote economy, efficiency and effectiveness, and prevent and detect fraud, waste and abuse, at the EPA and the CSB. Our bottom line is simple: to assist both agencies in their missions of safeguarding the health of the American people and protecting the environment.



Arthur A. Elkins Jr.  
Inspector General

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# About the EPA and Its Office of Inspector General

## U.S. Environmental Protection Agency

The mission of the U.S. Environmental Protection Agency (EPA) is to protect human health and the environment. As America's steward for the environment since 1970, the 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 Office of Inspector General

The Office of Inspector General (OIG), established by the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, is an independent office of the EPA that detects and prevents fraud, waste and abuse to help the agency protect human health and the environment more efficiently and cost effectively. OIG staff are located at headquarters in Washington, D.C.; at the EPA's 10 regional offices; and at other EPA locations, including Research Triangle Park, North Carolina, and Cincinnati, Ohio. The EPA Inspector General also serves as the Inspector General for the U.S. Chemical Safety and Hazard Investigation Board (CSB).

Our vision, mission and goals are as follows:

### Vision

Be the best in public service and oversight for a better environment tomorrow.

### Mission

Promote economy, efficiency, effectiveness, and prevent and detect fraud, waste, and abuse through independent oversight of the programs and operations of the EPA and CSB.

### Goals

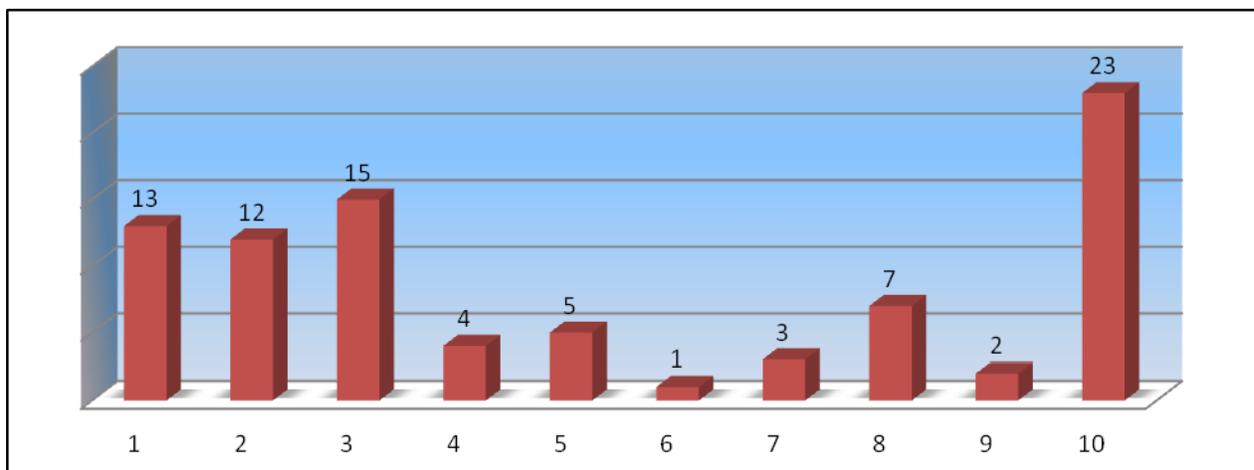
1. Contribute to improved human health, safety, and environment.
2. Contribute to improved EPA and CSB business practices and accountability.
3. Be responsible stewards of taxpayer dollars.
4. Be the best in government service.

# Furthering the EPA's Goals and Cross-Cutting Strategies

When conducting our audit and evaluation work during fiscal year (FY) 2013, we took into account the EPA's five strategic goals as well as its five cross-cutting strategies. The table and graphic below show how many of our audit and evaluation reports aligned with each of the agency's goals and strategies so that we could better enable the EPA to carry out its mission of protecting human health and the environment. These goals and strategies had been set by former EPA Administrator Lisa Jackson. Some reports addressed more than one goal and/or strategy.

EPA goal	No. of related reports
1. Taking action on climate change and improving air quality	13
2. Protecting America's waters	12
3. Cleaning up our communities and advancing sustainable development	15
4. Ensuring the safety of chemicals and preventing pollution	4
5. Enforcing environmental laws	5

EPA cross-cutting strategy	No. of related reports
6. Expanding the conversation on environmentalism	1
7. Working for environmental justice and children's health	3
8. Advancing science, research, and technological innovation	7
9. Strengthening state, tribal, and international partnerships	2
10. Strengthening EPA's workforce and capabilities	23



Following her appointment during the current semiannual reporting period, new EPA Administrator Gina McCarthy outlined seven themes for the EPA to follow. During FY 2014, we will measure our work based on those themes.

# Scoreboard of Results

## Scoreboard of OIG FY 2013 Performance Results Compared to FY 2013 Annual Performance Goal Targets

Our work is designed to help the EPA reduce risk, improve practices and program operations, and save taxpayer dollars so that the agency can better protect the environment. The information below shows the taxpayers' return on investment for the work performed by the EPA OIG. All results reported in FY 2013, from current and prior years' work, are based on the annual performance goals and plans established through implementation of the Government Performance and Results Act.

<b>Annual Performance Goal 1: Environmental and business outcome actions taken or realized by the EPA (based on OIG recommendations)</b>	
<b>Target: 256 (adjusted)</b> <b>Reported: 215</b> (84% of goal)	<b>Supporting measures</b> 194 Environmental and management actions implemented or improvements made 19 Critical congressional and public concerns addressed 2 Legislative or regulatory changes made
<b>Annual Performance Goal 2: OIG environmental and business output recommendations, awareness briefing or testimony (for agency action)</b>	
<b>Target: 654 (adjusted)</b> <b>Reported: 1,003</b> (153% of goal)	<b>Supporting measures</b> 624 Environmental and management recommendations or referrals for action 309 Environmental and management certifications, verifications and validations 11 Environmental and management risks and vulnerabilities identified 59 External awareness briefings, training or testimony given
<b>Annual Performance Goal 3: Monetary return on investment (ROI) – potential monetary ROI as percentage (125%) of budget</b>	
<b>Target: 125% ROI</b> <b>Reported: \$122 million*</b> (248% ROI)	<b>Supporting measures (dollars in millions)</b> \$37.55 Questioned costs \$83.10 Recommended efficiencies, costs saved \$1.34 Fines, penalties, settlements and restitutions *
<b>Annual Performance Goal 4: Criminal, civil and administrative actions reducing risk or loss/operational integrity</b>	
<b>Target: 90</b> <b>Reported: 256</b> (284% of goal)	<b>Supporting measures</b> 19 Criminal convictions 34 Indictments, informations and complaints 4 Civil actions 90 Administrative actions (other than debarments or suspensions) 92 Suspension of debarment actions 17 Allegations disproved

\* Does not include \$4.4 billion in criminal settlement from the Office of Investigations' joint-effort work on the BP oil spill.

**Other (no targets established)****Savings and recommendations sustained from current and prior periods:**

- \$6.39 million in questioned costs sustained (17% of costs questioned)
- \$17.30 million in cost efficiencies sustained or realized (21% of cost efficiencies claimed)
- 402 recommendations sustained (65% of recommendations issued)

**Total reports issued: 431**

- 70 reports issued by OIG
- 361 issued by Single Auditors

**American Recovery and Reinvestment Act of 2009 Activity Results – Cumulative from 2/09 through 9/13**

*Recovery Act funds expired on 9/30/12 but OIG oversight work continued throughout FY 2013*

- 47 Recovery Act reports issued
- 175 Recovery Act awareness briefings/outreach sessions
- 92 Recovery Act complaints received
- \$47.9 million in potential monetary benefits (questioned costs, fines, savings)

Sources: OIG Performance Measurement and Results System and Inspector General Enterprise Management System.

# Significant OIG Activity

## Former High-Level EPA Employee Pleads Guilty

### Former EPA Senior Policy Adviser Pleads Guilty to Theft That Cost Government Nearly \$900,000

John C. Beale, a former senior policy adviser for the EPA, pleaded guilty September 27, 2013, to a federal charge stemming from a long-running scheme in which he cheated the government of nearly \$900,000 in pay and expenses. For more than a dozen years, Beale lied to the U.S. government to avoid performing his job at the EPA.

The guilty plea, in the U.S. District Court for the District of Columbia, was announced by U.S. Attorney Ronald C. Machen Jr. and EPA Inspector General Arthur A. Elkins Jr. The case was investigated by the EPA OIG.

Beale admitted that he kept collecting pay from the EPA after claiming he was working on a project for the Central Intelligence Agency (CIA) and on other efforts that kept him out of the office. In fact, Beale was not working for the CIA or the EPA on the many days he was away. All told, between January 2000 and April 2013, Beale was absent from his duties at the EPA for about 2½ years in which he was drawing a salary and benefits.

Beale, 64, of New York, New York, pleaded guilty to theft of government property. The parties have agreed that, under federal sentencing guidelines, the likely range is a prison sentence of 30 to 37 months and a fine of up to \$60,000. In addition, Beale has agreed to pay a total of \$886,186 to the EPA in restitution and to a forfeiture money judgment of another \$507,207.

“The details of this remarkable story are unfathomable – and yet they happened. An absence of even basic internal controls at the EPA allowed an individual to commit multiple frauds over a long period of time,” said Inspector General Elkins. “Thanks to the diligence of the special agents on this case, monetary restitution finally will be paid to the taxpayers. Hopefully, exposing the lax agency practices that enabled Mr. Beale to construct and prosper from a web of lies also will lead to swift reforms so such abuses can never recur.”

According to a statement of offense, signed by the defendant as well as the government, Beale was employed by the EPA from 1989 until April 30, 2013. He was assigned to the Office of Air and Radiation. For much of his time at the EPA, Beale was a senior policy

adviser. His duties included assisting in the planning, policy implementation, direction and control of EPA programs. He also attended and participated in several international conferences, many in foreign countries. In August 2000, Beale was promoted to a senior-level employee, making him among the highest-paid non-elected federal government employees.

From in or around 2000 through 2013, Beale failed to report to work for extended periods of time and to submit required requests for leave for these absences. Rather, Beale falsely claimed that he was working on a project at the CIA and other matters, such as a research project for the EPA.

The statement of offense further details payments of \$57,235 to reimburse travel expenses for five trips to the Los Angeles, California, area. For EPA business, Beale did not need to travel to California, where he visited family members. He could have done the research work at home or at his EPA office. In fact, he never produced any written work regarding the research project, which was never completed.

In or around May 2011, Beale announced that he was retiring from the EPA. In September 2011, he and two other long-term EPA employees celebrated a retirement party on a dinner cruise on the Potomac River. However, Beale remained on the payroll.

In or around June 2000, Beale had been awarded a 25 percent retention incentive bonus for 3 years. The purpose of the bonus was to ensure that Beale remained with the EPA. It was supposed to expire after 2003, but Beale continued to receive the bonus through 2013.

In or around January 2002, Beale claimed that, because he had contracted malaria while serving in the U.S. Army in Vietnam, he needed a parking space for work. He was awarded a parking spot, and the EPA subsidized payment for it at a rate of about \$200 a month. In fact, Beale never served in Vietnam and never contracted malaria. He held onto and used the parking spot until about June 2005, at a cost of about \$8,000 to the EPA.

## Problems at Landover Warehouse

### Major Problems Found at EPA Warehouse in Landover, Maryland

Our review at the EPA's warehouse in Landover, Maryland, found significant areas of concern, including a large space allotted for exercise equipment, hidden personal space, unprotected personally identifiable information, obsolete items and deplorable hygienic conditions.

The EPA leased a warehouse in Landover from the U.S. General Services Administration to store inventory for its headquarters locations, but the warehouse was operated by a contractor. We found:

- An incomplete and inaccurate record-keeping system.
- Considerable amounts of unusable, inoperable and obsolete items.
- Multiple unauthorized and hidden personal spaces, with such items as televisions.
- A large area with unauthorized functioning exercise equipment for personal use.
- Potential safety hazards, such as exposed wires.
- Unsecured personally identifiable information, such as passports.
- Deplorable hygienic conditions, including corrosion, vermin feces and mold.

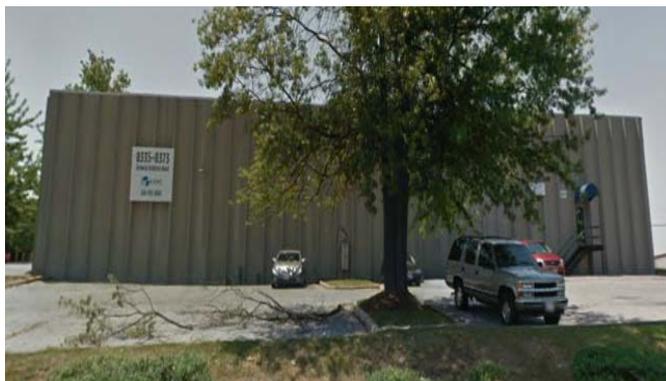
As a result, EPA property at the warehouse was vulnerable to theft and abuse, property was not properly maintained, the EPA may not have received sufficient value for funds paid for the warehouse operation, and warehouse workers were subjected to unsafe conditions for which the EPA could be held liable.



*Clockwise, from top right: An unauthorized personal space, a gym area in the warehouse, improperly stored passports. (EPA OIG photos)*

Subsequent to our briefing of EPA officials, the agency issued a stop work order to the contractor, ensuring there will be no further access to the site by contractor personnel and that no further costs will be incurred under the contract. Further, the agency completed a warehouse inventory, identified and segregated surplus furniture, reviewed background investigations on warehouse employees, removed flammable materials, and addressed personally identifiable information. In addition to taking action at the Landover facility, the EPA initiated an agencywide review of all of its warehouse and storage facilities.

*(Report No. 13-P-0272, Early Warning Report: Main EPA Headquarters Warehouse in Landover, Maryland, Requires Immediate EPA Attention, May 31, 2013)*



*Clockwise, from top left: An outside view of the warehouse, a cubicle space at the warehouse for personal use, moldy computer bags, unbound and unopened boxes still on pallets that are beginning to collapse and presenting a health hazard, refrigerators received in 2007 still being stored at the warehouse. (EPA OIG photos)*

## Halliburton Pleads Guilty Regarding Oil Spill

### Halliburton Pleads Guilty to Destruction of Evidence in Connection With Deepwater Horizon Oil Spill

Halliburton Energy Services Inc. pleaded guilty on September 19, 2013, in the U.S. District Court, Eastern District of Louisiana, to destroying evidence pertaining to the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. The company was sentenced to the statutory maximum fine of \$200,000 and a 3-year probationary period.

In addition, a criminal information of one count of destruction of evidence was filed against a former Halliburton manager, Anthony Badalamenti, of Katy, Texas.

“These announcements mark the latest steps forward in the Justice Department’s efforts to achieve justice on behalf of all those affected by the Deepwater Horizon explosion, oil spill and environmental disaster,” said Attorney General Eric Holder. Previously, BP Exploration and Production Inc. and Transocean Deepwater Inc. were sentenced to pay more than \$4.4 billion in criminal fines and penalties in connection with the April 2010 oil well blowout and subsequent spill, which caused 11 deaths and extensive environmental damage.

According to court documents, in May 2010, following the Macondo well blowout (the source of the spill), modeling was done by Halliburton to compare the 21 centralizers Halliburton had recommended BP use prior to the blowout versus the six centralizers BP ultimately used. Centralizers are metal devices that can help keep casings centered in a wellbore away from the surrounding walls, and centralizing can be significant to the quality of subsequent cementing around the bottom of casings.

Simulations conducted by Halliburton indicated there was little difference between using six and 21 centralizers on the Macondo well. Badalamenti directed the program manager to destroy those results, and the program manager did so. In June 2010, after additional simulations, similar evidence was destroyed as a result of Badalamenti’s instructions.

*This investigation was conducted by the Deepwater Horizon Task Force, which includes investigators from the Federal Bureau of Investigation, U.S. Department of the Interior OIG, National Oceanic and Atmospheric Administration Office of Law Enforcement, U.S. Coast Guard, U.S. Fish and Wildlife Service, Louisiana Department of Environmental Quality, EPA Criminal Investigation Division and EPA OIG.*

## Congressionally Requested Reviews Conducted

During the semiannual reporting period, the Inspector General issued two reports in response to congressional requests.

### **No Evidence Found of Improper Use of Private or Alias Email Accounts**

We found no evidence that the EPA used, promoted or encouraged the use of private “non-governmental” email accounts to circumvent records management responsibilities or reprimanded, counseled or took administrative actions against personnel for using private or alias email accounts for conducting official government business.

We conducted this audit in response to a congressional request for information about the EPA’s practices when using private and alias email accounts to conduct official business.

EPA senior officials said that they were aware of agency records management policies and, based only on discussions with these officials, we found no evidence that they had used private email to circumvent federal record-keeping responsibilities. The previous EPA Administrator and the then acting EPA Administrator who followed each were issued two EPA email accounts; one was available to the public to communicate with the EPA Administrator and the other was used to communicate internally with EPA personnel. This practice also had been common for previous Administrators. It is widely used within the agency and is not limited to senior EPA officials.

Although not improper, these secondary EPA email accounts present risks to records management efforts. The agency had not provided guidance on preserving records from private email accounts or ensured consistent and regular training on records management responsibilities. Inconsistencies in employee out-processing procedures pose risks that federal records are not identified and preserved before an employee departs the agency.

We recommended that the EPA develop and implement oversight processes to update agency guidance on the use of private email accounts, train employees and contractors on records management responsibilities, strengthen relationships between federal records preservation and employee out processing, and deliver a system to create federal records from the new system. The EPA either has completed recommended actions or plans to take corrective actions to address our findings.

*(Report No. 13-P-0433, Congressionally Requested Inquiry Into the EPA’s Use of Private and Alias Email Accounts, September 26, 2013)*

## **EPA Can Better Document Clean Air Federal Advisory Committees' Independence**

The EPA has adequate procedures for identifying potential ethics concerns—including financial conflicts of interest, independence issues and appearances of a lack of impartiality—for appointment of members to its clean air federal advisory committees. However, the EPA can better document its selection of members with independence and partiality concerns, allowing for greater transparency.

In response to a congressional request about the EPA's management of the Clean Air Scientific Advisory Committee (Committee) and the Advisory Council on Clean Air Compliance Analysis (Council), we sought to determine whether the EPA has complied with applicable laws, regulations and guidance pertaining to (1) potential conflicts of interest, (2) appearances of a lack of impartiality, (3) rotation of members, (4) balance of committee viewpoints and perspectives, and (5) peer review.

In general, the EPA managed the Committee and Council in accordance with applicable statutes and regulations. These regulations allow agencies discretion in choosing federal advisory committee members and achieving balance. However, better documenting of decisions on selecting members when there are independence and partiality concerns would allow for greater transparency, thus providing assurance that the Committee and Council provide independent and objective advice to the Administrator on such important decisions as setting ambient air standards. We also noted that the EPA's National Center for Environmental Assessment did not have a formal process for determining whether certain analyses were subject to Office of Management and Budget peer review requirements and EPA guidance.

We recommended that the EPA instruct staff on the proper process for addressing potential conflicts of interest, develop procedures to document decisions and mitigating actions regarding independence and partiality concerns, and implement a process to determine whether its scientific work products are influential scientific information that require peer review. The agency either agreed with each of our recommendations or proposed an acceptable alternative corrective action.

*(Report No. 13-P-0387, EPA Can Better Document Resolution of Ethics and Partiality Concerns in Managing Clean Air Federal Advisory Committees, September 11, 2013)*

## Human Health and the Environment

### Indoor Mold Tool Not Validated by EPA for Public Use

Companies were using the Environmental Relative Moldiness Index tool to evaluate homes for indoor mold even though the EPA had not validated or peer reviewed the tool for public use.

The EPA developed the index as a way to objectively describe the mold burden present in a home. These mold values were determined using an EPA-patented technology called mold specific quantitative polymerase chain reaction (MSQPCR). As of January 2013, the EPA had 10 active licenses of the MSQPCR technology. A hotline complaint raised the issue of whether companies were using a tool not validated by the EPA for public use.

Licensees were marketing MSQPCR to the public as part of the index tool, but we believe one current and one past licensee's advertising could mislead the public into



Extensive mold contamination of a ceiling. (EPA photo)

thinking that the research tool is an EPA-approved method for evaluating indoor mold. The license agreements stipulate that the licensee should not state or imply that the EPA endorses MSQPCR. In addition, information on an EPA Web page suggested that the EPA validated and endorsed MSQPCR for public use. Consequently, there is a risk that the public may make inappropriate decisions regarding indoor mold. Because of the numerous questions the EPA received from the public regarding the index tool, the agency drafted a fact sheet, but it has not finalized or published this fact sheet.

We recommended that the EPA periodically review licensee advertising of the MSQPCR tool to determine whether licensees have violated the terms of the license agreement and take appropriate actions as necessary. We also recommended that the EPA remove or clarify potentially misleading statements on its Web page, and finalize the fact sheet. The agency generally agreed with our report and recommendations. It already has removed the Web page.

*(Report No. 13-P-0356, Public May Be Making Indoor Mold Cleanup Decisions Based on EPA Tool Developed Only for Research Applications, August 22, 2013)*

## EPA Needs Better Information on Electronic Waste

The EPA does not have adequate information to ensure effective management of electronic waste (E-waste) to protect public health and conserve valuable resources. Further, the EPA lacks complete information on E-waste disposition, which hinders the effective use of its resources and hampers the EPA's ability to effectively collect relevant information and set goals.

E-waste includes devices such as computers, televisions and cell phones. E-waste contains toxic materials that pose hazards to human health and the environment if not properly disposed of or recycled. The EPA encourages reuse and recycling of electronics over land-filling and incineration. To that end, the EPA manages E-waste via federal regulations and various voluntary programs.



Discarded cell phones.  
(EPA photo)

EPA enforcement is hampered by the lack of complete information on cathode ray tube exporters in the United States, which hinders the EPA's ability to set enforcement targets. The EPA also does not have a practical process to determine the hazardous nature of other E-waste. Potentially toxic E-waste could be disposed of in municipal landfills or incinerated without potential hazards being identified as required. Further, the EPA has limited knowledge of the extent of compliance by certified recyclers with regulations. In addition, federal information collection restrictions and a lack of resources hamper efforts.

We recommended that the EPA: (1) develop a consistent approach for defining E-waste, (2) develop a practical process to address hazards, (3) evaluate implementation of the certification programs for used electronics, (4) evaluate resource needs for E-waste management, and (5) evaluate methods for gathering the information needed. The EPA concurred with all recommendations.

*(Report No. 13-P-0298, Improved Information Could Better Enable EPA to Manage Electronic Waste and Enforce Regulations, June 21, 2013)*

## Air Quality Objectives for Baton Rouge Area Not Met

The Railroad Research Foundation has not complied with the requirements of its cooperative agreement with the EPA involving the Baton Rouge, Louisiana, area, and we noted \$2.9 million that should be recovered.

Emissions from diesel exhaust can lead to serious health conditions like asthma and allergies; can worsen heart and lung disease; and can damage plants, animals, crops and water resources. Under the authority of the American Recovery and Reinvestment Act of 2009, the EPA awarded almost \$3 million to the Railroad Research Foundation to reduce

diesel emissions by repowering five locomotives to operate in the Baton Rouge ozone nonattainment area.

We found that the five locomotives repowered under the agreement were not operating in the Baton Rouge area as originally proposed and expected by the EPA. As a result, the inhabitants in the Baton Rouge ozone nonattainment area were not receiving the benefits of the lower diesel emissions. We further noted the charging of unallowable and unsupported indirect costs.

We recommended that Region 6 recover \$2,904,578 unless the foundation provides a verifiable and enforceable remedy to reduce diesel emissions in the Baton Rouge ozone nonattainment area. In the event that all federal funds are not recovered under that recommendation, the region still needs to recover \$21,126 in inappropriate costs. The foundation did not agree with our recommendation to repay all federal funds, and proposed a remedy to achieve compliance with the agreement. EPA Region 6 agreed with our recommendations and is seeking appropriate cost recoveries.

*(Report No. 13-R-0297, Air Quality Objectives for the Baton Rouge Ozone Nonattainment Area Not Met Under EPA Agreement 2A-96694301 Awarded to the Railroad Research Foundation, June 20, 2013)*

## **EPA Can Improve Strategic Planning for Drinking Water Security**

The EPA has implemented a number of activities to promote the security of drinking water systems. However, strategic planning and internal controls for the water security program need to be strengthened to allow the agency to measure the program's performance and progress in drinking water systems' preparedness, prevention, response and recovery capabilities.

The September 11, 2001, terrorist attacks prompted a national effort to secure critical infrastructure and resources. These include drinking water. The EPA is authorized to assist drinking water systems in protecting the nation's drinking water supply under the Bioterrorism Act of 2002.



A drinking water facility in Washington, D.C. (EPA photo)

The EPA's strategic planning in this area is hampered by its limited authority over water security, the voluntary nature of its water security activities and concerns related to protecting information. These impediments could be overcome by the water security program utilizing available data; using alternative methods to gather data; and seeking additional authority from Congress to collect, protect and utilize information from water systems. The EPA should also expand its internal controls to meet Federal Managers' Financial Integrity Act requirements.

The EPA has taken corrective actions based on recommendations in prior evaluations but still needs to: develop a comprehensive strategic plan, assess water security by gathering available data and incorporating measures into national guidance, and improve internal controls by developing a program review strategy and a multi-year review plan. The EPA also should seek additional authority from Congress and utilize the authority, if granted, to develop a baseline and outcome measures. The EPA has agreed to take necessary corrective actions based on our recommendations.

*(Report No. 13-P-0349, EPA Can Better Address Risks to the Security of the Nation's Drinking Water Through New Authorities, Plans, and Information, August 21, 2013)*

## **EPA Needs to Improve Measuring Oil and Grease in Wastewater**

The EPA's handling of the proposed alternative method for measuring oil and grease in wastewater adhered to applicable laws, regulations, policies, procedures and guidance, but we identified management control weaknesses.

The Clean Water Act requires the EPA to establish and approve methods to measure pollutants in water and wastewater. Oil and grease is a regulated pollutant cited in hundreds of thousands of permits. Regulators determine compliance by using test methods approved by the EPA. Oil and grease differs from many other pollutants in that it is a "method-defined analyte" – a pollutant defined solely by the method used to measure it. We received a hotline complaint regarding the EPA's handling a proposed alternative method for measuring oil and grease in wastewater, called ASTM D7575.

Because requests to consider alternative methods for method-defined analytes have been rare, the EPA did not have established procedures for reviewing such methods. As such, the agency faced unique challenges in reviewing ASTM D7575. Although the EPA took appropriate steps to make an informed decision on ASTM D7575, management control weaknesses contributed to confusion and delays, and fostered concerns among some stakeholders about fairness, transparency and preferential treatment for the ASTM D7575 developer. Specific EPA management control weaknesses included the lack of a formal procedure for reviewing proposed methods, clearly defined "cut off" dates for method submissions, and communications issues.

We recommended that the EPA establish a formal procedure for reviewing proposed methods for method-defined analytes, establish procedures for designating official cut-off dates for future proposed methods update rules, and clarify on the agency's website the different routes for method review and approval. The agency generally agreed with our report and provided corrective actions.

*(Report No. 13-P-0317, EPA's Handling of a Proposed Alternative Method for Measuring Oil and Grease in Wastewater Met Requirements But Controls Need to Be Strengthened, July 11, 2013)*

## Enbridge Spill Impacted Funding for Oil Well Cleanups but Not Emergency Spills

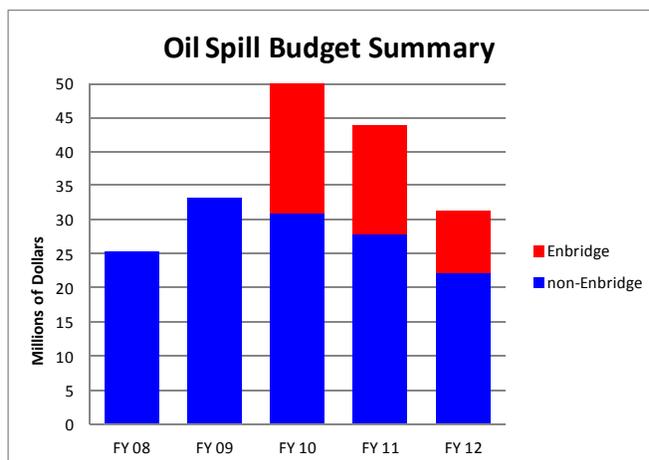
According to EPA staff, the Enbridge pipeline spill has not impacted the EPA's ability to respond to classic emergency spills. However, EPA Regions 2 and 4 staff said that the spill has impacted the agency's ability to respond to abandoned oil wells and caused cleanup delays in their regions.

On July 26, 2010, the Enbridge pipeline spill released 800,000 gallons of oil into the Kalamazoo River in Michigan. The responsible party, Enbridge Energy Partners LLC, is cleaning up the spill. As of February 24, 2013, the EPA's costs to oversee the cleanup totaled more than \$50 million. These costs are reimbursed by the Oil Spill Liability Trust Fund administered by the U.S. Coast Guard. An OIG hotline complaint questioned the EPA's management of emergency oil spill funding for the Enbridge spill.



An excavation of oil-contaminated soil from the overbank area at the Enbridge spill site. (EPA photo)

The OIG found that the EPA had requested additional funding for the Enbridge spill, but did not request additional funding for abandoned oil well removals. Limited funding resulted in cleanup delays at abandoned oil wells. The OIG determined that the EPA lacks technical guidance on oil spills, which results in emergency responders using their discretion to develop and execute response actions. While this practice may be adequate and sufficient for typical emergency oil spills, the large-scale release of tar sands oil in the Enbridge spill had not been encountered before by the EPA.



The EPA's annual oil spill budget, FYs 2008-2012. (Source: The EPA's Office of Emergency Management budget data and Enbridge spill situation reports)

We recommended that the EPA establish risk-based priority criteria to be used by the regions in their requests to EPA headquarters for Oil Spill Liability Trust Funds and when implementing oil spill responses. We also recommended that the EPA develop a process for sharing lessons learned from large or unprecedented oil spills such as Enbridge. The agency agreed with both recommendations.

*(Report No. 13-P-0370, Limited Oil Spill Funding Since the Enbridge Spill Has Delayed Abandoned Oil Well Cleanups; Emergency Oil Responses Not Impacted, September 4, 2013)*

## **Improvements in Monitoring Renewable Fuel Standard Program Needed**

The EPA worked with external Renewable Fuel Standard program stakeholders to develop additional controls to reduce fraud in the program and has implemented a number of control activities through regulations. However, the agency does not meet the control standard for monitoring some of these activities.

According to the EPA, the Renewable Fuel Standard program lays the foundation for achieving significant reductions in greenhouse gas emissions from the use of renewable fuels. The agency estimates that the program will reduce greenhouse gas emissions by 138 metric tons by 2022.

The EPA did not track submission of third-party engineering reviews or annual attest engagements because the agency lacks an electronic monitoring system for these reports. As a result, the agency cannot be sure that program participants complied with applicable regulations. We could not determine whether overlap existed in parties completing third-party engineering reviews and attest engagements. Current and proposed regulations do not preclude the same third party from completing multiple requirements as well as other reporting responsibilities for renewable fuel producers or importers, allowing for possible overlap. If the same third party completed multiple reporting requirements, the party could potentially review its own work, which could result in a conflict of interest.

We recommended that the EPA modify existing electronic systems to track the submission of reporting requirements to ensure that all participants comply with applicable Renewable Fuel Standard program regulations. To assist with tracking, we recommended requiring electronic submittal of all reporting requirements for the program, particularly third-party engineering reviews and attest engagements. We also recommended that the office determine whether potential conflicts of interest exist from allowing the same third party to complete multiple reporting requirements and monitor potential conflicts. The agency agreed with our recommendations and is taking steps to address them.

*(Report No. 13-P-0373, The EPA Should Improve Monitoring of Controls in the Renewable Fuel Standard Program, September 5, 2013)*

## **Chemical Fume Hood Testing Improvements Needed**

The EPA complied with applicable regulations and guidance in procuring both chemical fume hood retrofit kits and fume hood testing contracts for laboratories in Research Triangle Park, North Carolina. However, we found that the testing

done by the subcontractor was not always sufficient, resulting in health risks for laboratory workers.

Laboratory fume hoods minimize chemical exposure to laboratory workers and are considered the primary means of protection from inhalation of hazardous vapors, mists and particulate matter.

In response to a hotline complaint, we found that the EPA complied with procurement regulations but we noted safety concerns. The EPA relied on the prime contractor to ensure that the subcontractor's fume hood testing met all requirements, and did not retest any of the hoods without a user's specific report of a problem. However, the subcontractor rated hoods as pass when (a) not all of the EPA requirements were met, (b) controllers or monitors were not functional, and (c) testing results did not include all required documentation. As a result, the EPA has limited assurance as to the safety of the chemical fume hoods, and there is a risk to the health and safety of the laboratory workers.

We recommended that the agency increase oversight and analysis of contractor testing results, ensure that when a monitor is reported as not functioning or inaccurate it is timely repaired or replaced, establish a practice of retesting a sample of the chemical fume hoods annually to verify the subcontractor's testing results, and work to revise and update the EPA's 2009 testing protocol criteria. The agency agreed to take corrective action for all recommendations.

*(Report No. 13-P-0363, Chemical Fume Hood Testing Improvements Needed to Reduce Health and Safety Risk to EPA Employees, August 28, 2013)*

### **Corrective-Action Milestones Not Met at the Libby, Montana, Superfund Site**

The EPA did not meet planned corrective-action milestones for completing a comprehensive toxicity assessment of asbestos to determine the cleanup level at the Libby, Montana, Superfund site.



Exterior removal of contaminated soil from a residential area. (EPA photo)

In 1999, the EPA began investigating local concerns about asbestos contamination in Libby. The EPA designated the Libby site a national priority in the Superfund program in 2002. In December 2006, the EPA OIG recommended that the EPA perform a comprehensive toxicity assessment of amphibole asbestos at Libby to determine the safe level for human exposure.

EPA action officials did not complete planned corrective actions under the agency's Libby Action Plan in a timely

manner because the scope of the work was larger than originally thought; there was no established charter; and there were contracting delays, competing priorities, unanticipated work and poor communication with stakeholders. Consequently, the agency twice revised its estimates for completing actions in response to the OIG's December 2006 report. Also, the toxicity assessment is part of the health risk assessment for determining cleanup levels at Libby, and in December 2011 the EPA informed us that the health risk assessment would be substantially delayed. This delay was significant because the former EPA Administrator had declared a public-health emergency at the Libby site in 2009, and the agency had spent more than \$400 million on cleanup.

We recommended that the EPA: (1) require action officials to disclose risks to completing corrective-action plans, (2) establish a charter to define project roles and responsibilities, (3) direct the Science Advisory Board to determine whether the EPA sufficiently followed guidance, (4) ensure that future contracts issued through interagency agreements are within the scope of those agreements, and (5) develop a priority list for pending and ongoing research work. The agency agreed to comply with all recommendations.

*(Report No. 13-P-0221, Better Planning, Execution and Communication Could Have Reduced the Delays in Completing a Toxicity Assessment of the Libby, Montana, Superfund Site, April 17, 2013)*

## **EPA Needs a Policy for Pesticide and Chemical Enforcement Penalty Reductions**

**The EPA regions differed in how they documented decisions and justified reductions of pesticide and chemical enforcement penalties.**

The Federal Insecticide, Fungicide and Rodenticide Act regulates the distribution, sale and use of pesticides. The Toxic Substances Control Act provides the EPA with authority



A farmer mixes herbicide prior to application; the farmer wears complete protection while using the chemicals. (U.S. Department of Agriculture's National Resources Conservation Service photo)

to require reporting, record-keeping and testing requirements; and restrictions to chemical substances and mixtures. Both laws provide enforcement tools and allow for good faith reduction and ability to pay penalties.

EPA regions did not consistently determine and document reductions in proposed penalties based on good faith of the violators, and in some regions reductions appeared automatic without adequate justification. This situation creates a risk that violators may not be treated equitably and that the EPA may lose opportunities to fully collect all penalties due. Further, the EPA lacks a sufficient policy to address violators who are unable to pay penalties. The

current “ability to pay” model and policy limit the EPA’s ability to evaluate claims; inadequate guidance exists for applying non-monetary penalty alternatives such as public service when cash is not available.

We recommended that the EPA provide adequate guidance for determining a good faith reduction, develop a systematic approach to ensure that justifications for good faith reductions are documented, revise the EPA’s ability to pay penalty policy and evaluate the individual violator model, and provide regional staff with updated training for case development. The agency agreed to take sufficient corrective actions on all recommendations.

*(Report No. 13-P-0431, EPA Needs to Update Its Pesticide and Chemical Enforcement Penalty Policies and Practices, September 26, 2013)*

### **Improvements Needed Regarding Scientific Integrity Policy**

The EPA has not developed or implemented a program to instruct the EPA’s employees on the requirements and standards of scientific integrity even though an agencywide training program is required by the agency’s *Scientific Integrity Policy*.

In March 2009, the President instructed each agency to implement rules and procedures for ensuring the integrity of its scientific process. The EPA enacted its *Scientific Integrity Policy* in February 2012. The EPA policy describes the role of an agencywide committee of scientific integrity officials to implement this policy. We reviewed the EPA’s actions in response to a hotline complaint.

As a result of the EPA committee’s lack of progress in implementing these requirements, the EPA is less equipped to:

- Provide leadership for the agency on scientific integrity.
- Promote agency compliance with the *Scientific Integrity Policy*.
- Keep EPA senior leadership informed on scientific integrity status.
- Detect violations of scientific integrity.

We recommended that the EPA’s Deputy Administrator direct the Scientific Integrity Committee to develop and implement agencywide training on the policy, and issue an annual report on the status of EPA scientific integrity in the agency. The agency has initiated corrective actions that meet the intent of our recommendations.

*(Report No. 13-P-0364, Quick Reaction Report: EPA Must Take Steps to Implement Requirements of Its Scientific Integrity Policy, August 28, 2013)*

## **Environmental Impact Statement Process Improved but Verification Needed**

Federal agencies are making changes to Environmental Impact Statements to mitigate or eliminate potential environmental risks based on the EPA's comments. However, the EPA currently only measures the prospective impact of mitigation and has no formal or systematic process to determine actual mitigation outcomes.

As required by the National Environmental Policy Act and Clean Air Act, the EPA reviews Environmental Impact Statements that evaluate the anticipated environmental impacts of proposed major federal actions. Projects covered by the statements include renewable energy, major highway, and oil and gas development projects.

The EPA's goal was to mitigate at least 70 percent of the environmental impacts identified in its reviews of Environmental Impact Statements, and for 2012 the EPA reported it exceeded its goal and obtained a 75-percent result for substantive comments addressed by the federal agency. This measure captures the prospective impact of the EPA's proposed mitigation measures. However, it does not measure the federal agency's actual mitigation actions or outcomes (i.e., impacts), nor is there a system in place to do so. Therefore, the EPA does not conduct follow-up actions designed to examine these impacts.

We recommended that the EPA conduct, on a selected basis, follow-up activities on final Environmental Impact Statements and document the results of these reviews. The agency concurred with our findings and recommendation, and indicated that it will work to develop a plan by December 1, 2013, to conduct these follow-up activities.

*(Report No. 13-P-0352, The EPA's Comments Improve the Environmental Impact Statement Process but Verification of Agreed-Upon Actions Is Needed, August 22, 2013)*

## **Concerns at Tribal Drinking Water Plant Not Being Addressed**

Because of limitations under the Safe Drinking Water Act, the EPA was not sure it had the authority to require a tribal organization to address the agency's plan and specification review concerns regarding a tribal drinking water plant receiving grant funds from the EPA.

In response to a hotline complaint, we sought to determine whether the EPA followed applicable criteria in awarding American Recovery and Reinvestment Act of 2009 funds to the Fort Belknap Indian Community Drinking Water Treatment Plant in Montana, and whether the EPA met its responsibility under the Safe Drinking Water Act.



Corrosion in the chemical room at the Fort Belnap Indian Community Drinking Water Treatment Plan approximately 7 months after the plant went operational. (EPA photo)

In 2007, prior to providing funding to the project, the EPA had the plan and specification reviewed by a contractor, and Region 8 provided comments to the Indian community regarding key concerns. Despite the plan and specification review comments, the EPA contributed \$572,700 toward the project. EPA Region 8 staff said that, due to a limitation under the National Primary Drinking Water Regulations, they did not have the authority to require the tribe to address the EPA's concerns. The plant went operational in March 2010 but continued to not be in compliance with the Safe Drinking Water Act. We found that the EPA believed—based on an incorrect interpretation of its authority under the act—that it could not require tribes to address plan and specification review comments prior to awarding funds.

We recommended that the EPA's Office of Water re-examine its interpretation of the pertinent drinking water regulations, and if it still determines that the limitation exists, the office should pursue a regulatory or guidance change to address it. The agency concurred with the recommendation and determined that it can require tribes to address plan and specification review comments prior to grant awards. The EPA plans to include language to reinforce this authority in guidelines currently under revision.

*(Report No. 13-P-0308, Limitations on the EPA's Authority Under the Safe Drinking Water Act Resulted in Unaddressed Concerns at a Tribal Drinking Water Plant, July 2, 2013)*

### **EPA Should Assess Utility of Watch List**

**The EPA should assess the utility of the Watch List—a management tool used to identify long-standing significant violations—to determine whether its use should be continued.**

Used by the EPA since 2004, the Watch List is designed to provide EPA regions and states with a list of facilities that are in significant violation of environmental laws and appear not to have been addressed by timely and appropriate enforcement. The Watch List initially was just used as an in-house management tool, but in 2011 the EPA made its data available to the public.

We found that use of the Watch List differs among headquarters and regional enforcement programs. Further, trends in the number of facilities on the Watch List differ among enforcement programs. In addition, the public version of the Watch List has limited search capabilities and information. Without a proper assessment of the Watch List, the agency runs the risk of maintaining a management tool that does not assist in tracking facilities with long-standing significant violations, has limited transparency and utility to the public, and does not meet the needs of EPA users.

We recommended that the EPA Office of Enforcement and Compliance Assurance assess the Watch List's utility as a management tool and take various corrective actions if it determines that the tool is useful. The agency agreed to assess the Watch List and to act on the remainder of our recommendations if it determined the Watch List should be retained.

*(Report No. 13-P-0435, The EPA Should Assess the Utility of the Watch List as a Management Tool, September 30, 2013)*

## Improved Public Notice Needed for Thermal Variance Permits

The EPA oversight process on the quality of permits on thermal discharges generally has been effective, but we found issues concerning public notices.

The Clean Water Act requires National Pollutant Discharge Elimination System permits for facilities with cooling water intake structures to ensure that location, design,



Brayton Point Power Facility, Somerset, Massachusetts. (EPA photo)

construction and capacity minimize harmful impacts on the environment. Withdrawing surface waters at power plants can pull in and kill fish and other aquatic organisms, while the discharge of cooling waters can also have negative impacts.

A permitting authority may issue a variance under the Clean Water Act to allow facilities to discharge cooling waters at an alternative, less stringent thermal effluent limit that is still protective of aquatic life, and we found that the EPA's Permit Quality Review process for such variances generally has been effective. However, none of the public notices we reviewed contained all the required information, and we recommended that the agency develop and

implement oversight mechanisms that will help states and regions consistently comply with public notice requirements. The agency agreed with our recommendation.

*(Report No. 13-P-0264, EPA Oversight Addresses Thermal Variances and Cooling Water Permit Deficiencies but Needs to Address Compliance With Public Notice Requirements, May 23, 2013)*

## Gulf of Mexico Program Office Needs Improved Controls

Two of the Gulf of Mexico Program Office's performance measures are unrealistic in that they do not reflect what the office was set up to achieve.

Due to its size and rich biodiversity, the Gulf of Mexico is critically important for the nation's environmental and economic well-being. Recent environmental disasters, such as Hurricane Katrina and the BP Deepwater Horizon oil spill, have focused national attention on the Gulf region.

The two unrealistic measures involve reducing the size of the hypoxic zone and improving the National Coastal Condition Report Index. Further, one strategic objective (environmental education) is not being measured. This omission occurred because the program office had not performed a required assessment of its strategic objectives and performance measures. As a result, some of the functions that the Gulf of Mexico Program Office performs are not being properly measured and, thus, the office's resources might not be used in the most efficient or effective way. Also, the office did not ensure that its local area network was secure, did not have primary information security controls in place, and did not ensure that the contractor met the security requirements in its contact. Further, the Gulf of Mexico Program Office's Web page displayed some inaccurate information for more than 18 months.

We recommended that the Gulf of Mexico Program Office conduct a risk assessment of its strategic objectives and measures, and work with the Office of Water to adjust those measures as needed. We recommended that the program office and Region 4 officials correct the local area network security controls deficiencies, and complete actions to establish an office Web content review process. EPA agreed with 12 of our 13 recommendations and proposed a satisfactory alternative corrective action for the remaining recommendation.

*(Report No. 13-P-0271, Improved Internal Controls Needed in the Gulf of Mexico Program Office, May 30, 2013)*

### **EPA's Office of International and Tribal Affairs Needs Improved Strategic Planning Guidance**

**The EPA's Office of International and Tribal Affairs needs additional strategic planning guidance to better manage anticipated environmental outcomes of foreign and international grants.**

The EPA has the legal authority to award international and foreign grants. For FY 2012, the Office of International and Tribal Affairs allocated more than \$3.5 million in appropriated funds for international grants.

Although the EPA's Office of International and Tribal Affairs collects environmental outcome/output information, the office has not incorporated the information into a comprehensive strategic planning document. Also, the allocation of resources for planned activities is not described within the office's current strategic planning documents. Improvements in these areas would help ensure that the office's grants align with the EPA's goals of advancing public health and environmental improvement, and EPA resources are properly allocated.

We recommended that the EPA develop strategic planning guidance to document how the Office of International and Tribal Affairs links its achieved outcomes for international and foreign grant activities to its strategic plan goals, the process used by the office to allocate resources, and how the office's international and foreign grant activities align with the EPA's overall goals. The agency agreed with our recommendation.

*(Report No. 13-P-0386, EPA's International Program Office Needs Improved Strategic Planning Guidance, September 9, 2013)*

## Agency Business Practices and Accountability

### EPA Did Not Effectively Monitor STAR Grant Recipients

The EPA's project officers did not monitor STAR (Science to Achieve Results) grant recipients in a manner consistent with agency policy and guidance. Consequently, project officers increased the risks that issues would not be corrected in a timely manner and projects might not meet specified goals.

The STAR competitive grant program is the primary vehicle through which the EPA funds research at universities and nonprofit groups. From FYs 2010 through 2012, the EPA funded 220 projects totaling \$150 million through the STAR grant program.

The OIG found that EPA project officers did not:

- Take action when STAR grant recipients submitted annual reports late.
- Follow baseline monitoring guidance.
- Routinely follow up when disclaimers about EPA's endorsement were not included in published articles.

During administrative advanced-monitoring reviews, the EPA did not ensure costs were allocable to the grant and did not request certified effort reports. The OIG reviewed drawdowns totaling \$639,045 and found \$53,854 in costs that were not allowable.

Project officers also did not actively monitor STAR grant recipients for potential research misconduct, which put grant funds at risk.

We recommended that the EPA provide mandatory training to STAR grant project officers. For incrementally funded grants, we recommended that the EPA enforce the terms and conditions that allow withholding of funds for late or missing reports. We also recommended that the EPA require grant recipients to submit corrections to publications when acknowledgement of EPA funding and disclaimers of EPA endorsement are missing from articles. The EPA's completed and planned corrective actions addressed all of the OIG's recommendations.



A mass spectrometer in a research laboratory is an example of equipment that can be used to analyze samples during STAR grant research (EPA OIG photo)

*(Report No. 13-P-0361, EPA Needs to Improve STAR Grant Oversight, August 27, 2013)*

## **EPA's Customer Service Lines Lack Specific Guidances and Standards**

Oversight practices varied for the 41 EPA external customer service lines reviewed. Without guidance or procedures in place to ensure consistent oversight of the lines, there is limited assurance that the approximately \$5.7 million of funds used to operate 30 of the lines in FY 2011 achieved the desired results (costs were not available for the other 11 lines).

The EPA has a variety of resources—including telephone hotlines, Web-based clearinghouses, and other online reference information—which the OIG has categorized as customer service lines. Members of the public can use these lines to seek help with environmental problems.

The EPA's 41 external customer service lines reviewed have oversight practices that vary; there are no specific EPA or governmentwide guidances or standards for operating and managing customer service lines. In addition, customer service line information on the agency's website is incomplete. The agency lacks specific guidance regarding the identification, presentation and management of Web-based customer service line information. As a result, the quality of customer service is negatively affected. The EPA's regions and program offices also do not properly identify, present and manage customer service line information on the Web; therefore, customers using the Internet may not be able to access relevant environmental information in a timely manner.

We recommended that the EPA's Deputy Administrator develop agencywide guidance for the monitoring and oversight of the agency's customer service lines and review external lines to determine their cost efficiency. The EPA agreed with the draft report's message and is seeking input from the Assistant, Associate and Regional Administrators in order to develop and implement necessary improvements.

*(Report No. 13-P-0432, Controls and Oversight Needed to Improve Administration of EPA's Customer Service Lines, September 26, 2013)*

## **Examination Questions \$1.6 Million Awarded to St. Louis Grantee**

The financial management system for the Grace Hill Settlement House in St. Louis, Missouri, did not meet federal requirements in relation to funds received from the EPA under a cooperative agreement, and we questioned \$1.6 million of the \$2.2 million in funding it received.

The Grace Hill Settlement House received funding from the EPA under the American Recovery and Reinvestment Act of 2009 to provide emission reduction technology for delivery trucks, long-haul trucks, school buses, tugboats, fire engines, ambulances,

airport support equipment, dump trucks and street sweepers. This project was expected to reduce the use of diesel fuel as well as the amount of air pollution, resulting in benefits to the health of residents in the St. Louis area.

We found that Grace Hill's financial management system did not meet federal requirements. In particular, procurements by Grace Hill did not meet federal competition



A school bus retrofitted under the agreement. (EPA OIG photo)

or cost and price analysis requirements, the grantee's contract administration system did not meet requirements, allowable costs were not segregated and financial management data were not properly supported, labor charges did not comply with regulations, and cash draws did not meet immediate cash needs requirements.

We recommended that Region 7 disallow questioned costs of \$1,615,343 and recover \$1,423,028 of that amount. We also recommended that, prior to any future EPA awards to Grace Hill, the region verify that Grace Hill has adequate controls. In addition, we recommended that the region verify that Grace Hill reported the

number of jobs created and retained, and verify that the vehicles Grace Hill reported as retrofitted were completed in accordance with the workplan. Grace Hill disagreed with our recommendations, asserting that no costs should be recovered with an exception to a limited amount of personnel costs. Region 7 did not comment on the draft report.

*(Report No. 13-R-0367, Examination of Costs Claimed Under American Recovery and Reinvestment Act Cooperative Agreement 2A-97706701 Awarded to Grace Hill Settlement House, St. Louis, Missouri, August 30, 2013)*

## **Tennessee's Meeting Grant 'Buy American' Requirements Questioned**

The Tennessee Department of Transportation (TDOT) followed most applicable laws, regulations, and terms and conditions pertaining to the procurement and monitoring of contracts for its truck stop electrification facilities, except for the Buy American requirements of the American Recovery and Reinvestment Act of 2009.

The EPA awarded cooperative agreement 95425709 and provided \$2 million of Recovery Act funds for the installation of a network of truck stop electrification facilities at select interstate highway truck stops. The facilities (electrified parking spaces) are designed to reduce long-term idling of certain trucks. According to the EPA, reducing emissions from diesel engines is one of the most important air-quality challenges facing the United States.

TDOT did not determine whether trusses used in the construction of truck stop electrification facilities by one contractor qualified as substantial transformation. The reason is that, subsequent to the contract awards, the EPA incorrectly determined that the Buy American requirements did not apply to the project.

In addition, while TDOT complied with requirements and satisfied Region 4's requirements for projecting emission reductions results, TDOT overstated these results.



Truck stop electrification equipment at a truck stop in Holladay, Tennessee. (EPA OIG photo)

We found that TDOT used significantly overestimated usage assumptions in its projections rather than current usage. As a result, TDOT does not have reasonable assurance that the project will achieve projected emissions reductions, and the expected environmental results and human health benefits.

We recommended that the EPA disallow and recover Recovery Act funds totaling \$1,623,049, unless TDOT can certify that the project fully complied with Buy American requirements. For those items that TDOT cannot certify, we recommended that the EPA follow applicable regulations to resolve the noncompliance. For TDOT's potential overstatement of project results, we recommended that the EPA review TDOT's assumptions used to calculate projected results and work with TDOT to develop more accurate projections of project results, if needed. The EPA and TDOT disagreed with our recommendations pertaining to the

Buy American requirements but agreed with the recommendation related to project results and are working to use post-project usage data to produce updated information.

*(Report No. 13-R-0321, Projected Emission Reductions Overstated and Buy American Requirements Not Met Under EPA Award to the Tennessee Department of Transportation, July 19, 2013)*

### **Costs of \$249,882 for San Francisco Lead Remediation Association Questioned**

The financial management system for the Lead Remediation Association of America did not meet federal standards for funds received from the EPA under a cooperative agreement, and we questioned and recommended recovery of the \$249,882 drawn under the grant.

The association received funding from the EPA to raise lead hazard awareness for children and families in low-income communities in the San Francisco Bay Area. The work plan required the association to produce and distribute lead safety work practice DVDs, provide lead safety training and workshops, and distribute brochures. We initiated our review at the request of the EPA's Office of Grants and Debarment, which had concerns about the association's internal controls.

We found that the association's accounting system data did not meet federal financial management requirements and was not updated timely. The association also made cash draws and submitted its final federal financial report using the grant budget amounts

rather than actual costs incurred. The association did not maintain source documentation to support the costs incurred or claimed. Also, the grantee did not meet the grant objectives as outlined in the work plan.

We recommended that the EPA Office of Grants and Debarment recover \$249,882 drawn under the grant. We also recommended that the office verify the grantee has a financial management system meeting the federal standards prior to any future awards. The association generally agreed that it did not have the documentation to meet the federal requirements but disagreed with our recommendation to make a repayment because it had done work under the grant.

*(Report No. 13-P-0341, Examination of Costs Claimed Under Grant AB-83363501 Awarded to Lead Remediation Association of America, August 6, 2013)*

### **EPA Needs to Recover New Mexico Environment Department Labor Charges**

**Three out of four New Mexico Environment Department (NMED) bureaus did not always comply with federal requirements for charging labor to EPA grants.**

As of February 27, 2012, NMED had approximately \$95 million in active EPA grants, and another \$58 million in grants closed within the last 3 years that were subject to the record-retention requirement.

We found that NMED did not always comply with federal labor-charging requirements. NMED's Air Quality Bureau and Drinking Water Bureau charged labor, fringe benefits and indirect costs to federal grants based upon budget allocations instead of actual activities performed. In addition, personnel activity reports from the Surface Water Quality Bureau to support charges for labor costs did not meet federal requirements. We questioned \$298,159 in labor, fringe benefits and related indirect costs claimed by the Air Quality Bureau; \$2,974,318 claimed by the Drinking Water Bureau; and \$2,733,798 claimed by Surface Water Quality Bureau. We also identified an additional \$486,305 charged to a Drinking Water Bureau-administered grant that had not yet been reported to the EPA.

We recommended that Region 6 disallow and recover unsupported costs of \$6,006,275, unless NMED provides support that complies with requirements. We also recommended that the region ensure NMED does not claim unallowable costs of \$486,305 under the Drinking Water Bureau grant unless it can provide support that it complies with requirements. Further, we recommended that the region recover any unsupported costs not covered in the OIG's cost-impact determination and ensure that labor-charging practices at remaining NMED bureaus with EPA grants comply with

federal requirements. Region 6 agreed with our findings and four of the five recommendations.

*(Report No. 13-4-0296, Labor-Charging Practices at the New Mexico Environment Department, June 17, 2013)*

### **Grantee Generally Met Federal Requirements and Exceeded Expected Outcomes**

Chelsea Collaborative Inc. generally complied with applicable American Recovery and Reinvestment Act of 2009 requirements and had a financial management system that supported funds drawn, but the system did not provide timely financial information and reporting.

The EPA awarded about \$2 million under two cooperative agreements to the collaborative. The collaborative was to retrofit and upgrade city-owned vehicles and to perform diesel retrofits for transportation refrigeration units at the New England Produce Center in Chelsea, Massachusetts, as part of efforts under the Diesel Emissions Reduction Act. We noted that the collaborative exceeded the expected outcomes of the agreements by repowering 98 diesel transportation refrigeration units rather than the 79 originally proposed.



Old and new transportation refrigeration units at the New England Produce Center in Chelsea. (EPA OIG photo)

Although the Chelsea Collaborative ultimately supported claimed amounts, it lacked established policies and procedures for recording, processing and reporting federal funds, had limited experience with federal grant requirements, and lacked communication between its financial and associate executive

directors. As a result, there was limited assurance that the collaborative claimed all eligible costs it incurred under the cooperative agreements or that its financial system and reports reflected actual costs. Also, the collaborative did not accurately report the number of jobs created or retained with Recovery Act funds because it included non-Recovery Act-funded hours.

We recommended that Region 1 require the Chelsea Collaborative to establish the needed controls for its financial management system and ensure that its calculations for jobs created or retained as a result of the Recovery Act meet requirements. The region agreed with our recommendations.

*(Report No. 13-R-0353, Examination of Costs Claimed Under EPA Cooperative Agreements 2A-96104501 and 2A-96107201 Awarded Under the Recovery Act to Chelsea Collaborative Inc., Chelsea, Massachusetts, August 22, 2013)*

## EPA Should Better Manage Time and Materials Contracts

Our review of a Region 9 time and materials contract found that the region needed to improve management of the contract and recover more than \$1.5 million paid under an inappropriate clause that allowed the contractor to claim additional profit.

The government should only use a time and materials contract when it cannot accurately estimate either the extent or duration of the work, or anticipate costs with any reasonable degree of confidence, since such a pricing method provides no incentive to the contractor for cost control or labor efficiency. For our review, we focused on Region 9's management of contract EPS90804, which supports the EPA's responses to releases of hazardous substances and counter-terrorism.



This facility treats sediment dredged from the Spring Creek Arm of the Keswick Reservoir at the Iron Mountain Mine Superfund Site, Shasta County, California. It was constructed under task order 45 and operated under task order 50 of contract EPS90804. (Photo courtesy of CH2M Hill, Inc.)

EPA Region 9 did not require its contracting personnel to verify that personnel for the contractor had the qualifications necessary to execute contract EPS90804. This problem may be EPA-wide for time and materials contracts. In addition, Region 9 contracting personnel did not consistently update the statement of work that identifies work the EPA expects the contractor to perform; document reviews of monthly progress, contractor performance and quality of deliverables; and issue memorandums appointing contracting officer representatives. These and other deficiencies put the EPA at risk of not receiving the level or quality of service for which it paid. Further, we noted that Region 9 personnel negotiated an inappropriate clause in the contract, resulting in the EPA improperly paying the contractor more than \$1.5 million in additional profit.

We recommended that Region 9 direct the contracting officer for EPS90804 to require contracting officer representatives to document oversight according to regulations and policies, which the region agreed to do. We also recommended that the region recover funds for the prohibited clause, as well as determine if the clause is in other contracts and recover funds under those contracts. Further, we recommend that the Office of Administration and Resources Management enforce the requirement for contracting officer representatives to ensure that contract staff meet the qualifications identified in time and materials contracts, and review the EPA's practices for paying contractors who perform similar activities. For the latter recommendations, the EPA officials provided alternative corrective action without completion dates or they disagreed.

*(Report No. 13-P-0209, Opportunities for EPA-Wide Improvements Identified During Review of a Regional Time and Materials Contract, April 4, 2013)*

## **EPA Did Not Sufficiently Complete Corrections Actions on Work Management**

The EPA did not complete within planned timeframes the majority of the corrective actions recommended in prior OIG reports relating to workload and workforce management.

Deficiencies in workforce and workload management have been a longstanding issue at the EPA. Recent budget cuts due to sequestration have highlighted the need for improvement. The EPA OIG had issued three audit reports in the last 3 years containing recommendations designed to improve the agency's workforce and workload management.

Complex corrective action plans and implementing new workload and workforce management initiatives contributed to delays in completing the corrective actions. Delaying corrective actions resulted in unfinished improvements to the EPA's management of its limited resources. We also found that the EPA did not update the status of several of the corrective actions we reviewed in the agency's Management Audit Tracking System.

We recommended that the EPA inform action officials that when corrective action dates will be extended by more than 6 months, they must provide the OIG with written notification and new milestone dates. We also recommended that training be provided on updating the status of corrective actions. EPA agreed with our recommendations and initiated corrective actions.

*(Report No. 13-P-0366, The EPA Needs to Improve Timeliness and Documentation of Workforce and Workload Management Corrective Actions, August 30, 2013)*

## **Lessons Learned Noted for Hurricane Sandy Disaster Relief Funding**

We found that the EPA had controls in place for the award and management of Hurricane Sandy relief funds based on lessons learned from past reports involving the American Recovery and Reinvestment Act of 2009.

On January 29, 2013, the President signed the Disaster Relief Appropriations Act, which provided \$608 million in aid to the EPA for Hurricane Sandy disaster victims and their communities. The bulk of that funding was designated for the Clean Water and Drinking Water State Revolving Funds.

We found that the EPA had controls in place to manage Sandy relief funds as described in the agency's internal control plan, such as conducting transaction testing on cash draws, performing semiannual administrative review of audits, and accelerating

resolution of open audits. We identified additional controls for the agency to consider based on our prior report reviews: These included:

- Strengthen oversight of subrecipients.
- Work with states to make inspections part of routine oversight.
- Use information in recipient monitoring databases for progress reports.
- Include actions to identify states/projects at risk of not meeting deadlines.
- Update detection and reporting procedures for improper grant payments.

The OIG report made no recommendations. We encouraged the agency to consider lessons we identified as the EPA moves forward with Sandy recovery activities, and the EPA has plans in place to undertake many actions to address our suggestions.

*(Report No. 13-P-0351, Internal Control Lessons Learned for Hurricane Sandy Disaster Relief Appropriations Act Funds, August 22, 2013)*

## **Region 8 Program for Senior Employees Needs Improved Methodology**

The two Region 8 program offices that jointly implement the Lead Renovation, Repair and Painting Program do not have a methodology or agreement for sharing Senior Environmental Employment funding, which has led to confusion about respective roles and tasks.

We received a hotline complaint on funds utilization for work done by Region 8 Senior Environmental Employment program grantees, focusing on the work plans for two Region 8 program offices. We found that the region's Office of Partnerships and Regulatory Assistance and Office of Enforcement, Compliance and Environmental Justice do not have a methodology or agreement for sharing the funding. As a result, most of the funding went to the Office of Partnerships and Regulatory Assistance, which did not have a finalized work plan, and the other office had to cut its Senior Environmental Employment staff to part time.

We recommended that Region 8 develop a strategy for implementing the Lead Renovation, Repair and Painting Program that defines program goals, performance measures, organizational responsibilities and a methodology for allocating Senior Environmental Employment funding. Region 8 agreed with our recommendations and has initiated efforts to address them.

*(Report No. 13-P-0430, Implementation Plan With Cost Sharing Methodology Needed for Region 8 Senior Environmental Employee Work on Lead Risk Reduction, September 24, 2013)*

## Region 4 Environmental Justice Grant Applicants Did Not Receive Preference

The EPA's Region 4 Office of Environmental Justice had controls in place to protect against bias, fraud and preselection of Environmental Justice Small Grants recipients.

Our review, triggered by a hotline complaint, found that the Region 4 Office of Environmental Justice followed policies and procedures when selecting Environmental



The hydroponic garden at the Miami Science Museum, for which the museum received funding through an Environmental Justice Small Grant. (EPA OIG photo)

Justice Small Grants recipients during FYs 2010, 2011 and 2012. The goal of the EPA's Environmental Justice Small Grants Program is to help communities build joint partnerships to address environmental and public health issues.

The Region 4 Office of Environmental Justice did not ensure that all review panelists were "knowledgeable in the field of endeavor for which awards are being competed," as stipulated by EPA's own internal requirements. However, we found no evidence that grants applicants received preference or were pre-selected. Additionally, we found no evidence that the office's leadership supported or targeted a select audience for grants. Inadequate review panelist training and a lack of

follow-up and communication on the final selection of grant recipients may have contributed to perceptions that the Environmental Justice Small Grants review and selection processes were improperly executed.

We recommended that the Region 4 Office of Environmental Justice provide adequate training to ensure that review panelists are knowledgeable about environmental justice. We also recommended that the office provide additional training on objectivity and the definition of each ranking criterion, obtain feedback from review panelists, and notify panelists when recipients are selected for awards. Region 4 agreed with our recommendations and provided details on corrective actions planned.

*(Report No. 13-P-0299, Review of Hotline Complaint Concerning the Region 4 Environmental Justice Small Grants Selection Process, June 21, 2013)*

## EPA-Owned Research Facilities Need to Improve Protection of IT Assets

Facilities management by the EPA's Office of Research and Development did not consistently apply, or in some cases establish, controls to protect information technology (IT) assets.

We found several instances where IT security practices at facilities did not meet minimal recommended controls for securing IT assets. Chief among our findings were the following:

- IT equipment was unprotected from and unmonitored for water damage.
- Access to server rooms was unrestricted.
- No continuity of operations plan existed for provisioning IT equipment.
- Backup data were not stored offsite.

Many security weaknesses occurred at Office of Research and Development facilities because these facilities did not follow federal and agency guidance that prescribes measures for securing IT assets. Further, Office of Research and Development facilities did not consistently perform or, when necessary, enhance security practices established to protect their facilities and the IT resources within their custody.



Unsecured thumb drives.  
(EPA OIG photo)

OIG recommendations included requiring facilities management to install locks on all wiring closets, formalize a process that restricts access to server rooms, reconfigure local-area network security software to prevent unauthorized device connection, strengthen encryption on all Office of Research and Development wireless access points, and relocate data backup tapes offsite to a secure location. The agency concurred with all 18 of the report's recommendations.

*(Report No. 13-P-0252, Improvements Needed to Secure IT Assets at EPA-Owned Research Facilities, May 8, 2013)*

## EPA's Compass Financial System Controls Need to Be Improved

The EPA did not have processes in place to monitor performance of the third party service provider of the Compass financial management system.

In October 2011, the EPA's Office of the Chief Financial Officer replaced its legacy financial management system with a new system—Compass Financials. Compass was developed and is hosted by a third party service provider. Compass replaced the agency's Integrated Financial Management System.

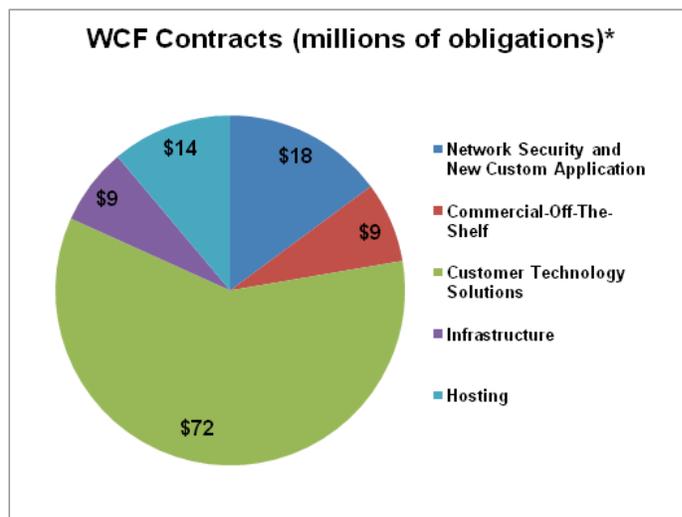
We found that processes were not in place to monitor performance of the third party service provider of Compass. This lack of oversight inhibited the EPA's ability to achieve agreed-upon performance levels and correctly pay for services rendered, and decreased the likelihood that an effective security posture would be maintained. Further, disaster recovery exercise plans did not include testing of data replication processes critical to financial reporting, resulting in the EPA having no assurance that Compass will operate as designed during a disaster.

We recommended that the Chief Financial Officer finalize internal procedures used for reviewing the service provider's performance, continue to review service provider performance on a monthly basis and document results, finalize the revised Quality Assurance Surveillance Plan, and test inherent Compass financial reporting capabilities during a functional disaster recovery exercise. The agency agreed with these recommendations.

*(Report No. 13-P-0359, Controls Over EPA's Compass Financial System Need to Be Improved, August 23, 2013)*

### **EPA Needed Better Contract Administration for IT Support Contract**

Based on our review of a Working Capital Fund contract with Customer Technology Solutions for providing IT services, the EPA needs to improve its contract administration to assist in managing similar contracts.



Top five Working Capital Fund obligations as of May 2012.  
(EPA OIG chart)

We conducted this audit to determine whether the EPA implemented effective contract administration for its Working Capital Fund contract EPW08034. Although the contract ended on September 30, 2012, we sought to determine whether the agency can apply lessons learned to similar contracts.

The EPA did not use performance standards to measure cost outcomes, complete any of the required contractor performance evaluation reports, or maintain required contract administration documents for its contract with Customer Technology Solutions. The EPA's ineffective contract administration may have hindered the ability

of EPA staff to ensure that the contractor successfully met agency needs, as well as its ability to determine whether the EPA achieved the best value for the \$85 million expended on the contract.

We recommended that the EPA update its policies and procedures to ensure that contract performance metrics and standards are linked to cost outcomes, oversight for linking metrics to cost outcomes is improved, and the agency develops contract administration procedures related to the transfer of documents when reassigning contract administrative staff. The agency concurred with some but not all of our recommendations.

*(Report No. 13-P-0398, Improved Contract Administration Needed for the Customer Technology Solutions Contract, September 16, 2013)*

### **Weaknesses in Information Security Program Noted**

As part of our annual FY 2012 Federal Information Security Management Act review of the EPA's information security program, we prepared a supplemental report noting details on weaknesses found. This report supplements the *Fiscal Year 2012 Federal Information Security Management Act Report: Status of EPA's Computer Security Program* (13-P-0032), issued October 26, 2012.

Weaknesses regarding the agency's information security program involved continuous monitoring management, configuration management, risk management, a plan of action and milestones, and contractor systems. We made specific recommendations for correcting the weaknesses noted, and the agency concurred with the recommendations and provided high-level planned corrective actions.

*(Report No. 13-P-0257, Briefing Report: Improvements Needed in EPA's Information Security Program, May 13, 2013)*

### **Allegations Regarding Computer Center Contract Awards Not Substantiated**

We found no evidence to support hotline allegations that the EPA's National Computer Center did not provide fair opportunities to vendors regarding network security hardware contracts.

The OIG received a hotline complaint alleging that the EPA may have committed improprieties in the bidding process for EPA network security hardware. The allegations claimed that the center did not provide a fair opportunity to all vendors in the request for proposals and EPA contractor personnel disclosed misleading information to a vendor regarding the outcome of the selection process. We found no evidence to support the allegations. We did determine that the EPA could improve communications with vendors

during pre-award activities. We recommended that the National Computer Center develop disclosure language outlining communication protocols to include all written communications with vendors during pre-award activities. The agency agreed and developed the protocols.

*(Report No. 13-P-0220, Review of Hotline Complaint on EPA's Pre-Award Activities for Multiple Award Contracts at the National Computer Center, April 15, 2013)*

## Investigations

### Significant Investigations

#### **Former Project Manager Convicted for Role in Conspiracy Schemes Involving Two EPA Superfund Sites in New Jersey**

A New Jersey jury convicted a former project manager for his central role in conspiracies that spanned 7 years and involved kickbacks in excess of \$1.5 million at two EPA Superfund sites in New Jersey.

On September 30, 2013, a jury returned guilty verdicts on 10 counts charged against Gordon D. McDonald following a 2-week trial. McDonald, a former project manager for a prime contractor, was convicted of engaging in separate bid rigging, kickback and/or fraud conspiracies with three subcontractors at two New Jersey Superfund sites – Federal Creosote in Manville and Diamond Alkali in Newark. He also was convicted of engaging in an international money laundering scheme, major fraud against the United States, accepting illegal kickbacks, obstruction of justice and tax violations. Sentencing is scheduled for January 2014.

McDonald provided co-conspirators at Bennett Environmental Inc., a Canadian-based company that treats and disposes of contaminated soil, with bid prices of their competitors, which allowed them to submit higher bid prices and still be awarded the subcontracts. In exchange, Bennett provided McDonald with more than \$1.5 million in kickbacks. McDonald also accepted kickbacks for the award of subcontracts from the owner of JMJ Environmental Inc., a wastewater treatment and chemical supply company; and the co-owner of National Industrial Supply LLC, an industrial pipes supplier. The various conspiracies took place between 2000 and 2007.

To date, nine individuals and three companies have been convicted or pleaded guilty in this ongoing investigation; five of the individuals have been sentenced to prison time totaling over 10 years. Also, a total of more than \$6 million in criminal fines and restitution has been imposed.

*This case is being conducted with the Internal Revenue Service Criminal Investigation Division.*

### **Four Former Contractor Employees Sentenced for Scrap Metal Theft**

During April and May 2013, four former employees of an EPA contractor were convicted and sentenced in U.S. District Court, Eastern District of Tennessee, for theft of government property. Each former employee was sentenced to serve 5 years of probation and ordered to pay a \$5,000 fine and \$8,725 in restitution. The four were involved in stealing and selling scrap aluminum from the Smokey Mountain Smelters Superfund site near Knoxville, Tennessee, and selling the aluminum for profit. This activity violated the terms of the EPA contract, which required that any recovered scrap materials be sold to a commercial salvage company and the payment applied as a credit to the EPA contract.

### **Man Sentenced for Theft of Government Computer**

On May 1, 2013, a contract employee in the EPA regional office in Chicago, Illinois, pleaded guilty in the Circuit Court of Cook County, Illinois, to theft. The contract employee was sentenced to 2 years of probation and ordered to pay court fees of \$699. The employee had accessed a secured storage area in the EPA office, stolen a computer, and concealed it in the front of his pants while exiting the facility. The employee then electronically contacted the computer manufacturer for the purpose of trying to use the computer, at which time he revealed his Internet Protocol address and contact information. EPA OIG Special Agents were able to locate the employee, who confessed to stealing the computer. The employee was arrested that same day with the assistance of the Cook County Sheriff's Police Department. The computer was recovered.

### **Man Sentenced for Making a False Statement**

On June 7, 2013, a man was sentenced in the U.S. District Court for Connecticut on one count of false statements to an EPA OIG Special Agent. The man was sentenced to serve 24 months of probation and perform 50 hours of community service. The man provided to another individual working on a possible real estate venture for a senior living facility a letter which advised that the man's firm had been awarded \$250 million from the EPA for a "Go Green Project." In fact, the letter had not been authored by the EPA employee and no grant money was available. During the OIG's investigation of the fictitious letter, the man made a false statement to the OIG Special Agent, and he consequently was charged and convicted for making that false statement.

### **Man Pleads to Misdemeanor Count for Making Threats**

On July 3, 2013, an Idaho man pleaded guilty in district court for the State of Idaho, Ada County, to one misdemeanor count of making a telephonic threat. The man was sentenced to 24 months of probation, and ordered to perform 40 hours of community service and pay a fine of \$412. The man also was ordered to attend an anger management class. In 2002, he made several telephone threats to an EPA Superfund Site Coordinator in Boise,

Idaho, attributing tumors removed from the leg of his son to heavy metal contamination in the area surrounding his residence. The man claimed that although the EPA had cleared the area he thought it was still contaminated. A warning letter was issued to the man advising him that it was inappropriate to try to motivate the EPA to pressure the site's owner to give him a monetary settlement for his son's pain and suffering and the devaluation of his property. In April 2012, another EPA employee received a threatening voice mail message from the man wherein the man discussed his "desire to kill others" as the result of his continued frustration regarding the site.

### **Civil Settlement Reached for Violation of Davis-Bacon Act**

On May 25, 2013, Southeast Pipe Survey Inc. entered into a \$100,000 civil settlement with the U.S. Attorney's Office, Eastern District of North Carolina, to settle allegations that it submitted false claims related to its compliance with the requirements of the Davis-Bacon Act. American Recovery and Reinvestment Act of 2009 funds were awarded to the North Carolina towns of Carolina Beach, Kure Beach and Roxboro for water quality infrastructure projects. The Recovery Act requires that contractors and any subcontractors hired by the prime contractor comply with provisions of the Davis-Bacon Act, which requires payment of the prevailing wage to workers. The towns each awarded contracts to Southeast Pipe, and the company periodically submitted requests for payment to each of the towns. Those requests contained a signed certification that the work was completed in accordance with requirements of the Davis-Bacon Act when the company did not actually comply with the requirements.

### **Civil Settlement Reached in Air Sampling Case**

Without an admission of liability and in the interest of resolving issues, Eastern Research Group Inc. entered into a \$97,508 civil settlement with the U.S. Attorney's Office, Eastern District of North Carolina. The company held an EPA contract to analyze air monitoring samples under the Air Toxic Monitoring Initiative. The air samples originated from air monitors located nationwide, including around schools. The company self-reported to the EPA that one of its analysts had manually integrated continuing calibration verifications so that the scientific instruments used to conduct the analysis would pass quality control requirements. The improper manual integrations allowed Gas Chromatograph/Mass Spectrometer instruments to pass quality control requirements while analyzing the air samples.

### **Political Appointee Investigated for Misconduct**

The OIG Hotline received a complaint regarding allegations of employee misconduct by a political appointee. The OIG investigated a total of eight allegations, six of which were unsubstantiated. Regarding the two allegations substantiated, the employee accepted a gift of travel and a flight in a private jet from a registered lobbyist. Prior to the OIG

receiving the aforementioned allegations and conducting an investigation, an Office of General Counsel career employee counseled the appointee regarding these matters. As a result of this investigation, the appointee was requested to review the counseling advice that the appointee previously had received, and no additional actions were taken.

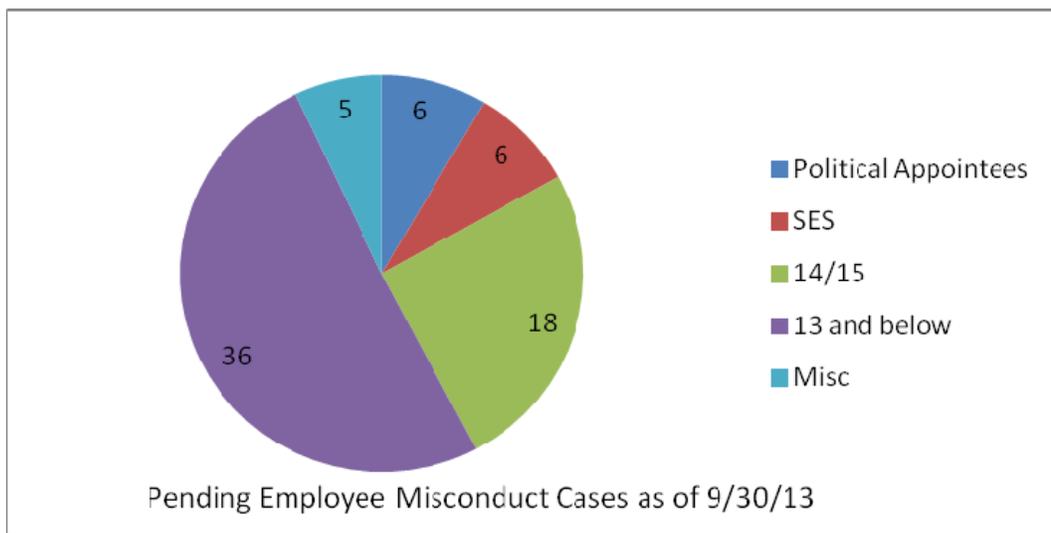
### Presidential Appointee Counseled for Violations of Ethics Pledge

The OIG received an allegation that a presidential appointee violated the ethics pledge, signed pursuant to Executive Order 13490, which restricts presidential appointees from participating in any matters, substantially or directly, related to a former employer. It was alleged that the employee was copied on EPA emails that involved two organizations with which the employee previously was involved. The investigation disclosed 13 incidences in which the employee violated the ethics pledge obligations by having communications and/or meetings relating to the performance of official duties with the two organizations prior to the expiration of the 2-year post-employment ban on such activity. The employee was counseled regarding this matter.

### Closed Employee Integrity Cases

Statistics on employee integrity investigation cases closed during the semiannual reporting period, as well as summaries of the cases, follow.

	Political appointees	SES	GS-14/15	GS-13 and below	Misc	Total
Pending 4/1/13	4	4	20	36	4	68
Open	3	2	4	13	2	24
Closed	1	0	6	13	1	21
Pending 9/30/13	6	6	18	36	5	71



"Misc" includes unknown subjects and contractor employees.

**Weapons Possession:** While on official government travel, a GS-13 EPA employee was arrested by the Transportation Security Administration for attempting to board a flight with a small knife secreted in one of his shoes. The employee pleaded guilty to possession of a dangerous weapon in a secure airport area, paid a monetary fine and was sentenced to 180 days of probation. The employee's supervisor discussed proper travel procedures with the employee to preclude recurrence.

**Release of Procurement Information:** A GS-15 employee allegedly made an unauthorized release of procurement-sensitive information to one or more EPA employees and a senior executive of a major corporation. This release of information to the corporation was intended to give it an unfair advantage over its competition in the contractor-selection process, which is a violation of the Procurement Integrity Act. The allegation was substantiated, but the U.S. Attorney's Office declined criminal prosecution. One EPA employee was suspended for 60 days and another was reprimanded; the GS-15 employee, who was promoted to the SES during the investigation, retired in lieu of termination. The corporation was suspended from government contracting for 7 days, and the corporation reimbursed EPA more than \$285,000 in attorney fees it had charged during an earlier fraudulent contract appeal process. Also, two corporate executives were terminated.

**Presidential Appointee Reprimanded for Violations of Ethics Pledge.** The OIG received an allegation that a presidential appointee violated the recusal provisions of the ethics pledge established in Executive Order 13490. The appointee allegedly interacted with a former employer regarding official EPA business during the period in which the appointee was recused. The investigation disclosed that on more than one occasion the appointee openly discussed EPA programs and projects with a representative of the former employer; accepted, reviewed and then forwarded a document belonging to the former employer to a member of the appointee's current EPA staff; and forwarded an "all-hands" email from then EPA Administrator Jackson to EPA employees to three employees of the appointee's former employer. The appointee received a verbal reprimand as a result of the investigation.

**Misrepresentation:** Without permission and authority, a GS-13 EPA employee allegedly shifted old EPA grant funds toward new projects. In addition, the employee allegedly misrepresented himself as a state employee and signed four state requests for reimbursement forms as a state project officer. The allegations were substantiated, but the U.S. Attorney's Office declined criminal prosecution. As a result of the investigation, the employee was suspended for 14 days. The last 7 days of the suspension will be held in abeyance in return for the employee's compliance with the terms of an abeyance agreement that includes the employee's retirement in early 2014.

**Conflict of Interest:** A former GS-13 EPA employee allegedly accepted employment with a subcontractor on an EPA contract. The employee was formerly the contracting officer's representative on the aforementioned contract. The investigation developed sufficient

information to believe that the employee had negotiated for employment with the subcontractor while still employed by EPA and serving as the contract's contracting officer's representative. However, the investigation did not develop sufficient information that either the employee or subcontractor inappropriately benefited. Consequently, the U.S. Attorney's Office declined criminal prosecution of this case based on insufficient evidence showing willful conduct, as well as the fact that the employee is no longer employed with the federal government.

**Computer Misuse:** A GS-13 EPA employee allegedly used an unauthorized EPA laptop computer at his residence for personal and family use. It was later learned that the employee may have been allowing others to use his network administrator password to use the computer, potentially putting EPA networks at risk. The employee admitted he used the EPA computer for various personal activities, including his wife's business, family photos, college course work and paying personal bills online. The employee also admitted that his 13-year-old son would use the laptop with the employee's network administrator password. The employee was placed on administrative leave, barred from the EPA facility and allowed to resign from his position.

**Improper Possession of Credentials:** A former GS-12 EPA employee was arrested for an incident unrelated to his employment with EPA. At the time of his arrest, the ex-employee was allegedly in possession of photocopies of EPA enforcement credentials. Subsequently, the ex-employee was deemed unfit to stand trial and released, and reportedly was living on the street. Extensive attempts to locate the employee to retrieve the credentials were unsuccessful, and the case was closed.

**Firearm in a Federal Facility:** A contractor employee was arrested for possessing a firearm in a federal building. The employee was terminated from the position with the contractor and barred from EPA facilities. At the subsequent trial, the employee was found not guilty on all charges. In accordance with the laws of the District of Columbia, the firearm was confiscated and not returned.

**Assault:** A GS-14 EPA employee allegedly physically assaulted another employee. The investigation revealed evidence that one employee held another employee's arm/wrist and did not release it until a document was signed. The allegation was substantiated, but the U.S. Attorney's Office declined criminal prosecution. The employee was orally counseled.

**Solicitation:** A GS-13 EPA employee allegedly engaged in misconduct by soliciting a financial contribution from a government contractor to support the employee's child's sports team. The investigation disclosed that the employee discussed the sponsorship opportunity with the contractor because the employee's relationship with the contractor's representative had evolved into a close personal friendship after 20 years of business and personal interactions. The contractor contributed \$150 to the team to have its company name on a banner. Neither the employee nor the contractor received any direct financial

gain from this contribution. The allegation was substantiated, but the U.S. Attorney's Office declined criminal prosecution. The employee received ethics counseling relative to this matter.

**False Police Report:** A GS-13 EPA employee alleged that the employee's residence had been broken into and EPA litigation documents were stolen from a personal computer by a local police officer. The police department conducted an internal investigation that determined the employee had lied to the police. The employee subsequently pleaded guilty to filing a false police report, a misdemeanor. The employee's supervisor issued the employee an official reprimand due to the employee's actions.

**False Statements to OIG Agents:** It was alleged that a GS-15 EPA employee used a telephonic device to listen in on the phone calls of co-workers. The investigation found that there was a telephonic device configured in a way that would enable the employee to listen in on other employees' phone calls. However, the allegation was unsubstantiated in that the investigation did not find any direct evidence that the employee had used the device to intercept phone calls. However, during the course of the investigation, the employee provided false oral statements on two occasions to OIG Special Agents. The U.S. Attorney's Office declined criminal prosecution. The employee received a written warning for making false statements and was advised to correct the conduct. The employee subsequently was promoted to the SES.

**Threats:** A former GS-8 EPA employee allegedly made threats of bodily harm upon receiving a Notice of Removal. The allegation was substantiated, but the U.S. Attorney's Office declined criminal prosecution. The employee already had been terminated from employment.

## Other Activities

### FY 2013 Management Challenges Presented to Agency

On July 1, 2013, the EPA OIG provided to then acting Administrator Bob Perciasepe a list of management challenges confronting the EPA. According to the Government Performance and Results Act Modernization Act of 2010, major management challenges are programs or management functions that have greater vulnerability to waste, fraud, abuse and mismanagement, and a failure to perform well could seriously affect the ability of an agency to achieve its mission or goals. The FY 2013 challenges were based primarily on our audit, evaluation and investigative work. Those challenges are:

- **Oversight of delegations to states.** The EPA may authorize states to implement environmental laws and regulations, and it relies heavily on authorized states to do so. However, the EPA does not abrogate its oversight responsibility. While the EPA has made strides to improve its oversight of states, it has not completed its actions.
- **Safe reuse of contaminated sites.** The EPA increasingly has emphasized the reuse of contaminated or once-contaminated properties but continues to face challenges in this area. The EPA needs new strategies to address the challenges of providing needed information and resources, and having the authority to ensure long-term safety of reused sites.
- **Enhancing IT Security to Combat Cyber Threats.** The EPA's decentralized structure to implement security controls makes it increasingly important for EPA executives to adopt IT and cyber security strategies that ensure these practices are fully integrated throughout the agency.
- **The EPA's framework for assessing and managing chemical risks.** Given the vast number of chemicals for which the EPA needs to perform risk assessments and management, we continue to identify challenges to the EPA's ability to manage chemical risks.
- **Workforce planning.** The EPA has not developed sufficient analytical methods, nor does it collect the data needed, to sufficiently measure its workload and the corresponding workforce levels needed to carry out that workload.

## Legislation and Regulations Reviewed

Section 4(a) of the Inspector General Act requires the Inspector General to review existing and proposed legislation and regulations relating to the program and operation of the EPA and to make recommendations concerning their impact. We also review drafts of Office of Management and Budget (OMB) circulars, memorandums, executive orders, program operations manuals, directives and reorganizations. The primary basis for our comments are the audit, evaluation, investigation and legislative experiences of the OIG, as well as our participation on the Council of the Inspectors General on Integrity and Efficiency. During the reporting period, we reviewed 12 proposed changes to legislation, regulations, policy, procedures or other documents that could affect the EPA or the Inspector General, and provided comments on six. Details on two significant items follow.

**Proposed OMB Memorandum, *Protecting Privacy While Reducing Improper Payments With the Do Not Pay Initiative*.** The proposed OMB memorandum implements Section 5 of the Improper Payments Elimination and Recovery Improvement Act of 2012 and provides guidance to help federal agencies protect privacy while reducing improper payments with the “Do Not Pay” Initiative. We commented that the proposed OMB memorandum, which discusses computer matching agreements (CMAs), is inconsistent with the plain language and intent of the act and infringes on Inspector General independence.

Section 5(e)(2)(A) of the act provides that “... each Inspector General and the head of each agency may enter into CMAs with other Inspectors General and agency heads that allow ongoing data matching (which shall include automated data matching) in order to assist in the detection and prevention of improper payments.” However, we believe OMB’s proposed interpretation that “[a]lthough Inspectors General may take the initiative in proposing a matching program, all CMAs shall be written at the departmental or agency level ...” is not consistent with the statutory language and would make the statutory language meaningless. The statute’s use of “and” means that both Inspectors General and agency heads may enter into CMAs. We believe Section 5(e) was designed to make it less burdensome for Inspectors General and agencies to conduct CMAs when the purpose was to detect or prevent improper payments than it would be under the normal requirements for the Computer Matching Act provisions in the Privacy Act.

OMB’s interpretation is also an impediment to Inspector General independence. The Inspector General Act provides the Inspector General the authority “to request such information or assistance as may be necessary ... from any Federal ... agency ....” (Section 6(a)(3) and “... to enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies ... as may be necessary to carry out the provisions of this Act.” In addition, Section 6(b)(1) of the Inspector General Act provides that “upon request of an Inspector General for information or assistance ..., the head of any Federal agency involved shall, insofar as is practicable ... furnish to such Inspector

General, or to an authorized designee, such information or assistance.” OMB’s language appears to undercut Inspector General authority and independence.

**Proposed EPA Order 3145, *Position Management Program*.** The EPA’s Office of Human Resources proposed the establishment of Order 3145 to strategically align and leverage the EPA’s Position Management Program with the workforce planning and budget process, and with diversity initiatives. This order also was intended to address the OIG’s recommendations in a February 2011 evaluation report examining agencywide controls over staff resources. We provided a number of comments to help strengthen and clarify the order, including:

- a) Identifying more appropriate authorities and references to be included or replaced in the order.
- b) Specifically identifying proper roles and responsibilities of those involved.
- c) Adding a subsection to specifically identify who is responsible for position management in the OIG since the OIG is independent of the agency’s position management program.

Additionally, we provided a list of position management criteria to assist agency management in determining whether position management was considered in organizational and individual position design and in workforce planning, and to facilitate using position management and organizational design theories, tools and techniques.

### **EPA OIG Designates Whistleblower Protection Ombudsman to Educate Agency Employees on Whistleblower Issues**

In late 2012, Congress passed the Whistleblower Protection Enhancement Act of 2012, bolstering the Whistleblower Protection Act of 1989. The EPA OIG has a great appreciation for what whistleblowers bring to efforts to root out fraud, waste and abuse. We applaud this act for its intent to ensure that whistleblowing employees be protected from retaliation (e.g., removal, demotion, transfer). In response to the act, the EPA Inspector General has designated an experienced practitioner of Inspector General law from the OIG’s Office of Counsel to serve as the EPA Whistleblower Protection Ombudsman.

The act requires a broad outreach effort, and agency Inspectors General are required to ensure that agency employees are adequately informed about relevant whistleblower issues. The act indicates that the Whistleblower Protection Ombudsman is to be responsible for educating employees about whistleblower protections, rights and remedies. Therefore, while called “ombudsman” by the act, the Whistleblower Protection Ombudsman is not a traditional ombudsman role. Rather, this ombudsman, as specifically defined by the act, is limited to educational functions, and may not serve as a representative or advocate for a whistleblower employee.

The EPA Whistleblower Protection Ombudsman has ready access to, and the full support of, the EPA Inspector General. The Inspector General has reached out to the EPA workforce to introduce the existence of the Whistleblower Protection Ombudsman. As a result of that introduction, several agency employees have sought guidance from the EPA Whistleblower Protection Ombudsman on possible whistleblower issues. The EPA OIG will be making a focused effort to reach the EPA workforce through a variety of means to ensure that the educational mandate of the act is carried out.

### **EPA OIG Surveys Staff and Stakeholders as Part of Outreach Efforts**

The EPA OIG, as part of its constant efforts to directly involve its staff in the planning and development of the OIG, conducted its biennial SWOT (strengths, weaknesses, opportunities and threats) survey and analysis. More than 60 percent of OIG staff members participated in the survey anonymously, providing more than 3,000 comments to help leadership identify key issues, risks, perceived problems, successes and ideas for changes and improvements. Additionally, as part of our external outreach, we asked outside OIG stakeholders to give us direct feedback on their perceptions of the strengths and potential areas for improvements for OIG products and services. This process of self-reflection and assessment demonstrates the OIG's commitment to customer service, integrity and accountability.

## U.S. Chemical Safety and Hazard Investigation Board

The U.S. Chemical Safety and Hazard Investigation Board (CSB) was created by the Clean Air Act Amendments of 1990. The CSB'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 Inspector General to serve as the Inspector General for the CSB. As a result, the EPA OIG has the responsibility to audit, evaluate, inspect and investigate the CSB's programs, and to review proposed laws and regulations to determine their potential impact on the CSB's programs and operations. Details on our work involving the CSB are available at <http://www.csb.gov/service.default.aspx>.

### **CSB Refused to Produce Records, Resulting in 7-Day Letter Being Issued**

The CSB refused to produce records requested by the OIG in connection with an OIG law enforcement investigation involving CSB operations, which represents a violation of Section 6(b)(2) of the Inspector General Act. The CSB asserted that producing the records to the OIG would waive attorney-client privileges associated with the records. As a result, the OIG issued a "7-day letter" to the CSB Chairperson on September 5, 2013, identifying as a particularly flagrant problem the CSB's refusal to produce the records requested by the OIG. Section 5(d) of the Inspector General Act states that the Inspector General shall report immediately to the head of the establishment involved any serious or flagrant problems, abuses or deficiencies relating to the administration of programs and operations of the establishment. Section 5(a)(5) of the Inspector General Act requires an OIG to provide a summary in its Semiannual Report to Congress on each report made to the head of an establishment under Section 6(b)(2) during the reporting period, hence the reporting of this issue here.

### **FY 2013 Management Challenges Presented to CSB**

On September 9, 2013, the OIG presented the following three management challenges to the CSB. The first two also had been noted in FY 2012 while the third one was new.

- **Clarifying CSB's statutory mandate.** The CSB has an investigative "gap" between the number of accidents that it investigates and the number of accidents that fall under its statutory responsibility to investigate. The CSB believes it is operating according to its statutory mandate and cites a lack of resources to

investigate the additional incidents cited. We will continue to report this issue as a management challenge until the CSB seeks to close its investigative gap.

- **Promulgating a chemical incident reporting regulation.** The CSB has not published a chemical incident reporting regulation as required in the Clean Air Act. The CSB believes that it receives adequate incident notifications through constant media and Internet searches, as well as existing federal sources. If the CSB believes the reporting is no longer needed, it should seek repeal of the requirement.
- **Meeting goal related to timely investigations.** The CSB has not fully accomplished its strategic objective to complete timely, high quality investigations. We attributed this fact to a lack of defined performance indicators, a backlog, staff turnover, filing issues and a need for updated policies. The CSB attributed the problem to workload and budgetary issues beyond its control and did not think the issue should be listed as a challenge. While we agree workload and budgetary issues are factors, we still believe that this is a challenge the CSB needs to address.

### **CSB Needs to Complete More Timely Investigations**

The CSB did not have an effective management system to meet its established performance goal to conduct incident investigations and safety studies concerning the releases of hazardous substances. The CSB had not fully accomplished its related strategic objective to complete the investigations timely.

We identified five reasons why the CSB did not meet its objective to timely complete investigations.

- A lack of defined performance indicators in the CSB's annual performance plan.
- A backlog of open investigations without documented plans for resolution.
- An average investigative turnover rate of 15 percent.
- Non-collocation of files and incorrectly classified or coded investigation files.
- A need for updated policies.

We made nine recommendations to the CSB, including that it develop and implement performance indicators, revise and publish action plans, review and act on investigations open for more than 3 years, review supporting documentation in files, and implement and update the management policy for investigative records. The CSB agreed with six of the nine recommendations, and resolution efforts are in progress for the remaining three.

*(Report No. 13-P-0337, U.S. Chemical Safety and Hazard Investigation Board Needs to Complete More Timely Investigations, July 30, 2013)*

## **Weaknesses in CSB Information Security Program Noted**

The review of the CSB's FY 2012 information security program determined that the program seems to be functioning as designed but there are areas for improvement.

This review was performed by a contractor to assess the CSB's compliance with the Federal Information Security Management Act. The review determined that the CSB takes information security weaknesses seriously. However, it also identified areas in which the CSB could improve upon its vulnerability scanning, patch and configuration management, device encryption, scanning software configuration, and inventory of IT assets. The CSB agreed with the recommendations.

*(Report No. 13-P-0307, Evaluation of the U.S. Chemical Safety and Hazard Investigation Board's Compliance with the Federal Information Security Management Act (Fiscal Year 2012), June 28, 2013)*

# Statistical Data

## Profile of Activities and Results

<b>Audit and evaluation operations</b> Reviews performed by OIG (\$ in millions)		
	April 1, 2013, to September 30, 2013	FY 2013
Questioned costs *	\$12.9	\$17.9
Recommended efficiencies *	\$0.9	\$80.7
Costs disallowed to be recovered	\$0.1	\$0.2
Costs disallowed as cost efficiency	\$16.5	\$17.3
Reports issued by OIG	42	70
Reports resolved (Agreement by agency officials to take satisfactory corrective actions) **	132	253

<b>Audit and evaluation operations</b> Reviews performed by Single Audit Act auditors (\$ in millions)		
	April 1, 2013, to September 30, 2013	FY 2013
Questioned costs *	\$9.6	\$19.6
Recommended efficiencies *	\$0.0	\$0.0
Costs disallowed to be recovered	\$5.5	\$6.2
Costs disallowed as cost efficiency	\$0.0	\$0.0
Single Audit Act reviews	183	361
Agency recoveries Recoveries from audit and evaluation resolutions of current and prior periods (cash collections or offsets to future payments) ***	\$4.2	\$6.9

<b>Investigative operations</b> (\$ in millions)		
	April 1, 2013, to September 30, 2013	FY 2013
Total fines and recoveries ****	\$0.3	\$4,442.5
Cost savings	\$2.3	\$2.4
Cost avoidances	\$0.0	\$0.0
Civil settlements	\$0.2	\$0.2
Cases open during period	64	119
Cases closed during period	60	159
Indictments/informations of persons or companies	21	34
Convictions of persons or firms	10	19
Civil judgments/settlements/filings	2	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. The recommended efficiencies for FY 2013 include \$1 million resulting from monetary actions taken or resolved prior to report issuance and not otherwise reported for resolution.

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

## Audit, Inspection and Evaluation Report Resolution

### Status report on perpetual inventory of reports in resolution process for semiannual period ending September 30, 2013

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, 2013*	154	\$45,460	\$75,518	\$5,805	\$23,282
B. Which were issued during the reporting period	225	22,599	871	0	54
C. Which were issued during the reporting period that required no resolution	132	0	0	0	0
Subtotals (A + B - C)	247	68,059	76,389	5,805	23,336
D. For which a management decision was made during the reporting period	222	28,431	42,054	5,612	16,454
E. For which no management decision was made by September 30, 2013	25	39,627	34,335	192	6,882
F. Reports for which no management decision was made within 6 months of issuance	95	17,028	33,515	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 OIG 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 the OIG. 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, 2013 (\$ in thousands)**

Report category	No. of reports	Questioned costs *	Unsupported costs
A. For which no management decision was made by April 1, 2013 **	32	\$45,460	\$31,661
B. New reports issued during period	13	22,599	19,883
Subtotals (A + B)	43	68,059	51,544
C. For which a management decision was made during the reporting period:	18	28,431	25,169
(i) Dollar value of disallowed costs	10	5,612	3,591
(ii) Dollar value of costs not disallowed	8	22,817	21,578
D. For which no management decision was made by September 30, 2013	24	39,627	26,376
Reports for which no management decision was made within 6 months of issuance	12	17,028	6,492

\* 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, 2013 (\$ in thousands)**

Report Category	No. of reports	Dollar value
A. For which no management decision was made by April 1, 2013 *	12	\$75,518
B. Which were issued during the reporting period	2	871
Subtotals (A + B)	14	76,389
C. For which a management decision was made during the reporting period:	2	42,054
(i) Dollar value of recommendations from reports that were agreed to by management	2	16,454
(ii) Dollar value of recommendations from reports that were not agreed to by management	2	25,600
(iii) Dollar value of nonawards or unsuccessful bidders	0	0
D. For which no management decision was made by September 30, 2013	8	34,335
Reports for which no management decision was made within 6 months of issuance	6	33,515

\* 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, 2013, 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	49	61
Assistance agreements	10	12
Contract audits	0	0
Single audits	19	23
Financial statement audits	3	4
<b>Total</b>	<b>81</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 during the semiannual reporting period and annual period ending September 30, 2013.

	Semiannual period (April 1, 2013 - September 30, 2013)	Annual period (October 1, 2012 - September 30, 2013)
<b>Issues open at the beginning of the period</b>	110	112
<b>Inquiries received during the period</b>	135	267
<b>Inquiries closed during the period</b>	113	247
<b>Inquiries pending at the end of the period</b>	132	132
<b>Issues referred to others:</b>		
<b>OIG offices</b>	79	160
<b>EPA program offices</b>	29	63
<b>Other federal agencies</b>	12	24
<b>State/local agencies</b>	15	20

## Summary of Investigative Results

### Summary of investigative activity during reporting period

Cases open as of April 1, 2013 *	213
Cases opened during period	64
Cases closed during period	60
Cases pending as of September 30, 2013	217

\* Adjusted from prior period.

### Investigations pending by type as of September 30, 2013

	Superfund	Management	Split funded	Recovery Act	CSB	Total
Contract fraud	12	12	11	7	0	42
Assistance agreement fraud	0	18	6	11	0	35
Employee integrity	3	31	36	0	1	71
Program integrity	4	14	6	5	0	29
Computer crimes	0	2	8	0	0	10
Threat	0	5	6	0	0	11
Retaliation	0	1	0	0	0	1
Other	3	8	5	2	0	18
<b>Total</b>	<b>22</b>	<b>91</b>	<b>78</b>	<b>25</b>	<b>1</b>	<b>217</b>

### Results of prosecutive actions

	EPA OIG only	Joint *	Total
Criminal indictments/informations/complaints	3	18	21
Convictions	7	3	10
Civil judgments/settlements/filings	2	0	2
Deportations	0	0	0
Fines and recoveries (including civil)	\$257,386	\$200,125	\$457,511
Prison time	0 months	0 months	0 months
Prison time suspended	0 months	0 months	0 months
Home detention	0 months	6 months	6 months
Probation	312 months	36 months	348 months
Community service	138 hours	0 hours	138 hours

\* With another federal agency.

### Administrative actions

	EPA OIG only	Joint *	Total
Suspensions	5	6	11
Debarments	1	7	8
Other administrative actions	46	0	46
<b>Total</b>	<b>52</b>	<b>13</b>	<b>65</b>
<b>Administrative recoveries</b>	<b>\$403,710</b>	<b>\$106,596</b>	<b>\$510,306</b>
<b>Cost avoidance</b>	<b>\$2,097,013</b>	<b>\$214,449</b>	<b>\$2,311,462</b>

\* With another federal agency.

# Appendices

## Appendix 1—Reports Issued

The Inspector General Act of 1978, as amended, 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.

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
<b>PERFORMANCE REPORTS</b>						
13-P-0209	Opportunities for Improvements for Time and Materials Contract	Apr. 04, 2013	\$0	\$0	\$0	\$0
13-P-0220	Hotline Complaint on Contracts at National Computer Center	Apr. 15, 2013	0	0	0	0
13-P-0221	Completing Toxicity Assessment of Libby, Montana, Superfund Site	Apr. 17, 2013	0	0	0	0
13-P-0252	Securing IT Assets at EPA-Owned Research Facilities	May 08, 2013	0	0	0	0
13-P-0257	Improvements Needed in EPA's Information Security Program	May 13, 2013	0	0	0	0
13-P-0264	Thermal Variance and Cooling Water Permit Compliance	May 23, 2013	0	0	0	0
13-P-0271	Improved Internal Controls Needed in the Gulf of Mexico Program Office	May 30, 2013	0	0	0	0
13-P-0272	Main EPA Headquarters Warehouse in Landover, Maryland	May 31, 2013	0	0	0	0
13-P-0298	Managing Electronic Waste and Enforcing Regulations	Jun. 21, 2013	0	0	0	0
13-P-0299	Hotline Complaint on Region 4 Environmental Justice Small Grants	Jun. 21, 2013	0	0	0	0
13-P-0307	CSB Compliance with FISMA (Fiscal Year 2012)	Jun. 28, 2013	0	0	0	0
13-P-0308	Safe Drinking Water Act Authority at a Tribal Drinking Water Plant	Jul. 02, 2013	0	0	0	0
13-P-0317	Alternative Method for Measuring Oil and Grease in Wastewater	Jul. 11, 2013	0	0	0	0
13-P-0337	CSB Needs to Complete More Timely Investigations	Jul. 30, 2013	0	0	0	0
13-P-0341	Lead Remediation Association of America	Aug. 06, 2013	0	0	0	0
13-P-0349	Security of the Nation's Drinking Water	Aug. 21, 2013	0	0	0	0
13-P-0351	Internal Controls for Hurricane Sandy Relief	Aug. 22, 2013	0	0	0	0
13-P-0352	Environmental Impact Statement Process	Aug. 22, 2013	0	0	0	0
13-P-0356	Indoor Mold Cleanup Decisions Based on EPA Tool	Aug. 22, 2013	0	0	0	0
13-P-0359	Controls Over EPAs Compass Financial System	Aug. 23, 2013	0	0	0	0
13-P-0361	EPA Needs to Improve STAR Grant Oversight	Aug. 27, 2013	0	0	0	54,000
13-P-0363	Chemical Fume Hood Testing Oversight to Risk	Aug. 28, 2013	0	0	0	0
13-P-0364	Quick Reaction Report on Scientific Integrity Policy	Aug. 28, 2013	0	0	0	0
13-P-0366	Workforce and Workload Management Corrective Actions	Aug. 30, 2013	0	0	0	0
13-P-0370	Impact on Oil Spill Funding Since the Enbridge Spill	Sep. 04, 2013	0	0	0	0
13-P-0373	Monitoring of Controls in the Renewable Fuel Standard Program	Sep. 05, 2013	0	0	0	0
13-P-0386	Strategic Planning Guidance for International Program Office	Sep. 09, 2013	0	0	0	0
13-P-0387	Ethics/Partiality Concerns for Clean Air Federal Advisory Committees	Sep. 11, 2013	0	0	0	0
13-P-0398	Contract Administration for Customer Technology Solutions Contract	Sep. 16, 2013	0	0	0	0
13-P-0430	Region 8 Senior Environmental Employee Work Load Risk Reduction	Sep. 24, 2013	0	0	0	0
13-P-0431	Pesticide and Chemical Enforcement Penalty Policies and Practices	Sep. 26, 2013	0	0	0	0
13-P-0432	Administration of EPA's Customer Service Lines	Sep. 26, 2013	0	0	0	0
13-P-0433	Congressionally Requested Inquiry Into Private/Alias Email Accounts	Sep. 26, 2013	0	0	0	0
13-P-0435	Utility of the Watch List as a Management Tool	Sep. 30, 2013	0	0	0	0
<b>TOTAL PERFORMANCE REPORTS = 34</b>			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$54,000</b>
<b>SINGLE AUDIT REPORTS</b>						
13-3-0210	The Nature Conservancy, Virginia - FY 2012	Apr. 12, 2013	\$0	\$0	\$0	\$0
13-3-0211	Montevallo, Alabama, Water Works and Sewer Board - FY 2012	Apr. 12, 2013	0	0	0	0
13-3-0212	Port Allen, Louisiana, City, of - FY 2012	Apr. 12, 2013	0	0	0	0
13-3-0213	Oklahoma City, Oklahoma - FY 2012	Apr. 12, 2013	0	0	0	0
13-3-0214	Washington College, Maryland - FY 2012	Apr. 12, 2013	0	0	0	0
13-3-0215	Barnum, Minnesota, City of - FY 2011	Apr. 12, 2013	0	0	0	0
13-3-0216	Harrington, Delaware, City of - FY 2011	Apr. 12, 2013	0	0	0	0
13-3-0217	Belle Vernon, Pennsylvania, Municipal Authority - FY 2011	Apr. 12, 2013	0	0	0	0
13-3-0218	Millboro, Delaware, Town of - FY 2012	Apr. 12, 2013	0	0	0	0
13-3-0219	St. Johns, Arizona, City of - FY 2012	Apr. 12, 2013	0	0	0	0
13-3-0222	Laurel, Mississippi, City of - FY 2012	Apr. 23, 2013	0	0	0	0
13-3-0223	Moberly, Missouri, City of - FY 2011	Apr. 24, 2013	0	0	0	0
13-3-0224	Verdigre, Nebraska, Village of - FY 2011	Apr. 24, 2013	0	0	0	0
13-3-0225	Houston, Missouri, City of - FY 2011	Apr. 24, 2013	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
13-3-0226	Osage County, Missouri, Public Water Supply District No. 3 - FY 2011	Apr. 24, 2013	0	0	0	0
13-3-0228	Ashland, Kentucky, City of - FY 2012	Apr. 29, 2013	0	0	0	0
13-3-0229	Goodlettsville, Tennessee, City of - FY 2012	Apr. 29, 2013	0	0	0	0
13-3-0230	Wilmington, Delaware, City of - FY 2012	Apr. 29, 2013	0	0	0	0
13-3-0231	Mansfield, Louisiana, City of - FY 2011	Apr. 29, 2013	0	0	0	0
13-3-0232	San Juan County, Washington - FY 2011	Apr. 29, 2013	0	0	0	0
13-3-0233	Olivenhain Municipal Water District, California - FY 2012	Apr. 29, 2013	0	0	0	0
13-3-0234	California, University of - FY 2012	Apr. 29, 2013	0	0	0	0
13-3-0235	Woonsocket, South Dakota, Municipality of - FY 2011	May 02, 2013	0	0	0	0
13-3-0236	Confederated Tribes of the Goshute Reservation, Utah - FY 2010	May 02, 2013	0	0	0	0
13-3-0237	York, Nebraska, City of - FY 2011	May 02, 2013	0	0	0	0
13-3-0238	Park County, Wyoming - FY 2012	May 06, 2013	0	0	0	0
13-3-0239	Bear River Regional Joint Powers Board, Wyoming - FY 2011	May 06, 2013	0	0	0	0
13-3-0240	Scott's Run Public Service District, West Virginia - FY 2011	May 06, 2013	0	0	0	0
13-3-0241	Maddock, North Dakota, City of - FY 2012	May 06, 2013	0	0	0	0
13-3-0242	Superior, Montana, City of - FY 2012	May 06, 2013	0	0	0	0
13-3-0243	Ute Indian Tribe, Utah - FY 2011	May 06, 2013	0	0	0	0
13-3-0244	Robinson Rancheria Band of Pomo Indians, California - FY 2010	May 06, 2013	0	0	0	0
13-3-0245	Santa Nella County Water District, California - FY 2012	May 06, 2013	0	0	0	0
13-3-0246	Kingman, Arizona, City of - FY 2011	May 06, 2013	0	0	0	0
13-3-0247	Cooks Endeavors DBA Fruitridge Vista Water Co., California - FY 2011	May 06, 2013	0	0	0	0
13-3-0248	Butte-Silver Bow, Montana, City and County - FY 2012	May 07, 2013	0	0	0	0
13-3-0249	Missoula, Montana, City of - FY 2012	May 07, 2013	0	0	0	0
13-3-0250	Timbisha Shoshone Tribe, California - FY 2008	May 07, 2013	0	0	0	0
13-3-0251	Skagway, Alaska, Municipality of - FY 2012	May 07, 2013	0	0	0	0
13-3-0253	Colorado, State of - FY 2012	May 08, 2013	0	0	0	0
13-3-0254	Tehachapi, California, City of - FY 2012	May 10, 2013	0	0	0	0
13-3-0255	Arizona, State of - FY 2012	May 13, 2013	0	0	0	0
13-3-0256	Florida, State of - FY 2012	May 13, 2013	0	0	0	0
13-3-0258	Maui, Hawaii, County of - FY 2012	May 14, 2013	0	0	0	0
13-3-0259	Big Valley Rancheria Band of Pomo Indians, California - FY 2010	May 14, 2013	0	0	0	0
13-3-0260	Kentucky Infrastructure Authority - FY 2012	May 21, 2013	0	0	0	0
13-3-0261	Pennsylvania, Commonwealth of - FY 2012	May 21, 2013	0	6,313,514	0	0
13-3-0263	Nevada, State of - FY 2012	May 22, 2013	0	0	0	0
13-3-0265	Delaware, State of - FY 2012	May 28, 2013	0	0	0	0
13-3-0266	North Carolina, State of - FY 2012	May 28, 2013	0	0	0	0
13-3-0267	New Mexico Environment Department - FY 2012	May 29, 2013	0	0	0	0
13-3-0268	Nebraska, State of - FY 2012	May 29, 2013	0	1,861,502	0	0
13-3-0269	Hawaii, Department of Health - FY 2012	May 29, 2013	0	0	0	0
13-3-0270	New Hampshire, State of - FY 2012	May 29, 2013	0	0	0	0
13-3-0273	Los Angeles, Port of, California - FY 2011	Jun. 06, 2013	0	0	0	0
13-3-0274	New Jersey, State of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0275	Texas, State of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0276	Washington, State of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0277	Wisconsin, State of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0278	West Virginia, State of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0279	Davenport, Iowa, City of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0280	Ottumwa, Iowa, City of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0281	Washington, Iowa, City of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0282	Upper Explorerland Regional Planning Commission, Iowa - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0283	Albion, Nebraska, City of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0284	Coralville, Iowa, City of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0285	Ogallala, Nebraska, City of - FY 2012	Jun. 07, 2013	0	0	0	0
13-3-0286	Uniontown, Washington, Town of - FY 2010	Jun. 07, 2013	0	0	0	0
13-3-0287	Port Lions, Alaska, Native Village of - FY 2012	Jun. 10, 2013	0	43,456	0	0
13-3-0288	Clackamas County, Oregon - FY 2012	Jun. 10, 2013	0	0	0	0
13-3-0289	Clay Rural Water Systems, South Dakota - FY 2012	Jun. 10, 2013	0	0	0	0
13-3-0290	North Dakota Stockmen's Association, North Dakota - FY 2012	Jun. 10, 2013	0	0	0	0
13-3-0291	Rancho Cordova, California, City of - FY 2012	Jun. 11, 2013	0	0	0	0
13-3-0292	Winslow, Arizona, City of - FY 2012	Jun. 11, 2013	0	0	0	0
13-3-0293	Eureka, California, City of - FY 2012	Jun. 11, 2013	0	0	0	0
13-3-0294	Grass Valley, California, City of - FY 2012	Jun. 11, 2013	0	0	0	0
13-3-0295	Coeur d'Alene, Idaho, City of - FY 2012	Jun. 11, 2013	0	0	0	0
13-3-0300	Orange County, California, Municipal Water District of - FY 2012	Jun. 24, 2013	0	110,077	0	0
13-3-0301	Idaho, State of - FY 2012	Jun. 24, 2013	0	0	0	0
13-3-0302	Beatty Water and Sanitation District, Nevada - FY 2012	Jun. 25, 2013	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
13-3-0303	Galena, Alaska, City of - FY 2012	Jun. 25, 2013	0	0	0	0
13-3-0304	Ouzinkie, Alaska, Native Village of - FY 2012	Jun. 25, 2013	0	0	0	0
13-3-0305	Boise, Idaho, City of - FY 2012	Jun. 25, 2013	0	0	0	0
13-3-0306	Gold Beach, Oregon, City of - FY 2012	Jun. 25, 2013	0	0	0	0
13-3-0310	Taos, New Mexico, City of - 2012	Jul. 03, 2013	0	0	0	0
13-3-0311	Houston, Texas, City of - 2012	Jul. 03, 2013	0	0	0	0
13-3-0312	Clovis, New Mexico, City of - 2012	Jul. 08, 2013	0	0	0	0
13-3-0313	Donaldsonville, Louisiana, City of - 2012	Jul. 08, 2013	0	0	0	0
13-3-0314	Harris County Municipal Utility District No. 148, Texas - FY 2012	Jul. 09, 2013	0	0	0	0
13-3-0315	Mandeville, Louisiana, City of - FY 2012	Jul. 09, 2013	0	0	0	0
13-3-0316	St. Francisville, Texas, Town of - FY 2012	Jul. 09, 2013	0	0	0	0
13-3-0318	Westlake, Louisiana, City of - FY 2012	Jul. 18, 2013	0	0	0	0
13-3-0319	Bonham, Texas, City of - FY 2012	Jul. 18, 2013	0	0	0	0
13-3-0320	Cabazon Band of Mission Indians, California - FY 2012	Jul. 18, 2013	2,744	0	0	0
13-3-0322	Redway Community Services District, California - FY 2012	Jul. 22, 2013	0	0	0	0
13-3-0323	Galveston, Texas, City of - FY 2012	Jul. 22, 2013	0	0	0	0
13-3-0324	Killeen, Texas, City of - FY 2012	Jul. 22, 2013	0	0	0	0
13-3-0325	Nacogdoches, Texas, City of - FY 2012	Jul. 22, 2013	0	0	0	0
13-3-0326	Livonia, Louisiana, Town of - FY 2012	Jul. 22, 2013	0	0	0	0
13-3-0327	Plaquemine, Louisiana, City of - FY 2012	Jul. 22, 2013	0	0	0	0
13-3-0328	Monroe, Louisiana, City of - FY 2012	Jul. 23, 2013	0	0	0	0
13-3-0329	Leesville, Louisiana, City of - FY 2012	Jul. 23, 2013	0	0	0	0
13-3-0330	Ward Two Water District of Livingston Parish, Louisiana - FY 2012	Jul. 23, 2013	0	0	0	0
13-3-0331	Alabama-Quassarte Tribal Town, Oklahoma - FY 2012	Jul. 23, 2013	0	0	0	0
13-3-0332	Robert Lee, Texas, City of - FY 2012	Jul. 23, 2013	0	0	0	0
13-3-0333	Springtown, Texas, City of - FY 2012	Jul. 23, 2013	0	0	0	0
13-3-0334	Grace Hill Settlement House, Missouri - FY 2011	Jul. 24, 2013	0	0	0	0
13-3-0335	Ohio, State of - FY 2012	Jul. 25, 2013	0	0	0	0
13-3-0336	Lamar County Water Supply District, Texas - FY 2012	Jul. 25, 2013	0	0	0	0
13-3-0338	Fort Dodge, Iowa, City of - FY 2012	Aug. 01, 2013	0	0	0	0
13-3-0339	Sac City, Iowa, City of - FY 2012	Aug. 01, 2013	0	0	0	0
13-3-0340	Picuris Pueblo, New Mexico - FY 2009	Aug. 02, 2013	0	0	0	0
13-3-0342	Treasure Coast Regional Planning Council, Florida - FY 2012	Aug. 08, 2013	0	0	0	0
13-3-0343	Erwin, Tennessee, Town of - FY 2012	Aug. 08, 2013	0	0	0	0
13-3-0344	Proctor, Vermont, Town of - FY 2012	Aug. 08, 2013	0	0	0	0
13-3-0345	Redlands, California, City of - FY 2012	Aug. 12, 2013	0	0	0	0
13-3-0346	Nogales, Arizona, City of - FY 2012	Aug. 12, 2013	0	0	0	0
13-3-0347	Lower Elwha Klallam Tribe, Washington - FY 2012	Aug. 12, 2013	0	0	0	0
13-3-0348	St. Mary's, Alaska, City of - 2011	Aug. 12, 2013	0	0	0	0
13-3-0350	Wells Band Council, Nevada - FY 2008, 2011 and 2012	Aug. 21, 2013	0	361,027	0	0
13-3-0354	Illinois, State of - FY 2012	Aug. 22, 2013	0	0	0	0
13-3-0355	Guam Waterworks Authority, Guam - FY 2012	Aug. 22, 2013	0	0	0	0
13-3-0357	Oakdale, Louisiana, City of - FY 2011	Aug. 22, 2013	0	0	0	0
13-3-0358	LaCrosse, Kansas, City of - FY 2012	Aug. 22, 2013	0	0	0	0
13-3-0360	Malden, Massachusetts, City of - FY 2012	Aug. 23, 2013	970,000	0	0	0
13-3-0362	Gloucester, Massachusetts, City of - FY 2012	Aug. 28, 2013	0	0	0	0
13-3-0365	Newport Borough Water Authority, Pennsylvania - FY 2011	Aug. 28, 2013	0	0	0	0
13-3-0368	El Dorado, Kansas, City of - FY 2012	Aug. 30, 2013	0	0	0	0
13-3-0369	Rhode Island and Providence Plantation, State of - FY 2012	Aug. 30, 2013	0	30,494	0	0
13-3-0371	Surprise, Arizona, City of - FY 2012	Sep. 04, 2013	0	0	0	0
13-3-0372	Corrales, New Mexico, Village of - FY 2012	Sep. 04, 2013	0	0	0	0
13-3-0374	Anaconda-Deer Lodge County, Montana - FY 2012	Sep. 05, 2013	0	0	0	0
13-3-0375	Crow Creek Sioux Tribe, South Dakota - FY 2011	Sep. 05, 2013	0	0	0	0
13-3-0376	Hughson, California, City of - FY 2012	Sep. 05, 2013	0	0	0	0
13-3-0377	Lemoore, California, City of - FY 2012	Sep. 06, 2013	0	0	0	0
13-3-0378	Clark County, Nevada - FY 2012	Sep. 06, 2013	0	0	0	0
13-3-0379	Vacaville, California, City of - FY 2012	Sep. 06, 2013	0	0	0	0
13-3-0380	Eagar, Arizona, Town of - FY 2012	Sep. 06, 2013	0	0	0	0
13-3-0381	Houston, Missouri, City of - FY 2012	Sep. 06, 2013	0	0	0	0
13-3-0382	Marin Municipal Water District, California - FY 2012	Sep. 09, 2013	0	0	0	0
13-3-0383	Bullhead City, Arizona, City of - FY 2012	Sep. 09, 2013	0	0	0	0
13-3-0384	Ulster Municipal Authority, Pennsylvania - FY 2010	Sep. 09, 2013	0	0	0	0
13-3-0385	Raymore, Missouri, City of - FY 2012	Sep. 09, 2013	0	0	0	0
13-3-0388	Rubidoux Community Services District, California - FY 2012	Sep. 09, 2013	0	0	0	0
13-3-0389	Kalispell Public Schools, Montana - FY 2012	Sep. 09, 2013	0	0	0	0
13-3-0390	Moorcroft, Wyoming, Town of - FY 2012	Sep. 09, 2013	0	0	0	0

Report No.	Report Title	Date	Questioned Costs			Federal Recommended Efficiencies
			Ineligible Costs	Unsupported Costs	Unreasonable Costs	
13-3-0391	Flint Hills Resource Conservation and Development Area Inc., Kansas	Sep. 09, 2013	0	0	0	0
13-3-0392	Hildalgo Municipal Utility District No. One, Texas - FY 2012	Sep. 09, 2013	0	0	0	0
13-3-0393	West Union, Iowa, City of - FY 2012	Sep. 10, 2013	0	0	0	0
13-3-0394	Portland, Tennessee, City of - FY 2012	Sep. 11, 2013	0	0	0	0
13-3-0395	Charles Town Utility Board, West Virginia - FY 2012	Sep. 11, 2013	0	0	0	0
13-3-0396	Winchester, Kentucky, City of - FY 2012	Sep. 11, 2013	0	0	0	0
13-3-0397	Homer, Alaska, City of - FY 2012	Sep. 13, 2013	0	0	0	0
13-3-0399	Aurora, Nebraska, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0400	Blair, Nebraska, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0401	Bridgeport, Nebraska, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0402	Humphrey, Nebraska, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0403	Osceola, Nebraska, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0404	Schoolcraft, Michigan, County of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0405	Lenawee Conservation District, Michigan - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0406	Van Buren, Michigan, County of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0407	Bois Forte Band of Chippewa, Minnesota - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0408	Dover, Delaware, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0409	Fairmont, West Virginia, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0410	Huntington, West Virginia, City of - FY 2012	Sep. 17, 2013	0	0	0	0
13-3-0411	DuPage County, Illinois, Water and Sewerage System of	Sep. 23, 2013	0	0	0	0
13-3-0412	Bay-Lake Regional Planning Commission, Wisconsin - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0414	Cumberland Municipal Utility, Wisconsin - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0415	Stevens Point, Wisconsin, City of - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0416	Strum, Wisconsin, Village of - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0417	Dover Eyota St. Charles Area Sanitary District, Minnesota - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0418	Fairfax, Minnesota, City of - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0419	Fosston, Minnesota, City of - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0420	Lester Prairie, Minnesota, City of - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0421	McIntosh, Minnesota, City of - FY 2012	Sep. 23, 2013	0	0	0	0
13-3-0422	Wheaton, Minnesota, City of - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0423	Twin City Water & Sewer District, Ohio - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0424	Campbellsport, Wisconsin, Village of - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0425	Litchfield, Minnesota, City of - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0426	Ottawa County Public Utilities System, Michigan - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0427	Mecosta, Michigan, County of - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0428	Benson, Michigan, City of - FY 2012	Sep. 24, 2013	0	0	0	0
13-3-0429	Jackson, Minnesota, City of - FY 2012	Sep. 24, 2013	0	0	0	0
	<b>TOTAL SINGLE AUDIT REPORTS = 183</b>		<b>\$972,744</b>	<b>\$8,720,070</b>	<b>\$0</b>	<b>\$0</b>
<b>ATTESTATION REPORTS</b>						
13-4-0262	SOL-HQ-12-00006 by Booz Allen Hamilton, Inc., McLean, Virginia	May 22, 2013	\$0	\$0	\$0	\$816,803
13-4-0296	Labor-Charging Practices at the New Mexico Environment Department	Jun. 17, 2013	0	6,492,580	0	0
	<b>TOTAL ATTESTATION REPORTS = 2</b>		<b>\$0</b>	<b>\$6,492,580</b>	<b>\$0</b>	<b>\$816,803</b>
<b>NON-AUDIT REPORTS</b>						
13-N-0227	Compendium of Unimplemented Recommendations, March 31 2013	Apr. 30, 2013	\$0	\$0	\$0	\$0
	<b>TOTAL NON-AUDIT REPORTS = 1</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 REPORTS</b>						
13-R-0297	Baton Rouge Ozone Nonattainment Area Railroad Research Found.	Jun. 20, 2013	\$4,614	\$2,921,090	\$0	\$0
13-R-0321	Tennessee Department of Transportation	Jul. 19, 2013	1,623,049	0	0	0
13-R-0353	Chelsea Collaborative Inc., Chelsea, Massachusetts	Aug. 22, 2013	0	0	0	0
13-R-0367	Grace Hill Settlement House, St. Louis, Missouri	Aug. 30, 2013	91,554	1,523,809	0	0
13-R-0413	Yauco - La Jurada Community Distribution System, Yauco, Puerto Rico	Sep. 23, 2013	0	0	0	0
	<b>TOTAL AMERICAN REINVESTMENT AND RECOVERY ACT OF 2009 REPORTS = 5</b>		<b>\$1,719,217</b>	<b>\$4,444,899</b>	<b>\$0</b>	<b>\$0</b>
	<b>TOTAL REPORTS ISSUED = 225</b>		<b>\$2,691,961</b>	<b>\$19,657,549</b>	<b>\$0</b>	<b>\$870,803</b>

## Appendix 2—Reports Issued Without Management Decisions

### For Reporting Period Ended September 30, 2013

The Inspector General Act of 1978, as amended, requires a summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the reporting period, an explanation of the reasons such management decision had 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 follow-up status as of September 30, 2013.

#### Office of Administration and Resources Management

##### **Report No. 10-P-0112, Results of Hotline Complaint Review of EPA Region 9 Hiring under the Federal Career Intern Program, April 26, 2010**

*Summary:* The hotline allegations against EPA Region 9 were unsubstantiated. We identified that the region engaged in a prohibited personnel practice. Neither the Office of Personnel Management nor the EPA prohibits the use of a job fair and registration code as recruiting and hiring methods. 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 job fair.

*Agency Explanation:* On September 17, 2013 the OIG contacted the Office of Administration and Resources Management with some points of clarification on the recommendations. It is their intent to clarify these points before moving forward with the response to the Corrective Action Plan. As of September 30, 2013, the OIG and Office of Human Resources are working together to clarify this information.

*OIG Follow-Up Status:* No agency response provided.

##### **Report No. 11-P-0722, EPA Should Prepare and Distribute Security Classification Guides, September 29, 2011**

*Summary:* This report evaluated the scope and nature of the EPA's classified national security information infrastructure and its ability to provide information to those who need it. The OIG found that the EPA has not established any official classification guides even though EPA Administrators have taken original classification actions. The EPA's National Security Information Handbook requires that a classification guide be developed for each system, plan, program or project that involves classified information. The OIG recommended that the Administrator ensure the preparation, review and approval of appropriate security classification guides that conform to the requirements of Executive Order 13526, *Classified National Security Information*, and EPA's national security information handbook. We also recommended that the Administrator ensure the distribution of classification guides to users of the EPA's originally classified information and to program offices that work in related subject areas. The Office of Administration and Resources Management, which responded on behalf of the agency, did not agree with the report's conclusions and the recommendations are unresolved.

*Agency Explanation:* This audit is designated by the OIG as "resolution on hold – beyond agency control." Therefore, an expected resolution date cannot be determined at this time.

*OIG Follow-Up Status:* Resolution on hold – beyond agency control.

#### Office of Grants and Debarment

##### **Report No. 12-3-0007, Cascade Sierra Solutions, Eugene, Oregon – FY 2010, October 11, 2011**

*Summary:* This review found that internal controls over project/customer file documentation are deficient. It was difficult for the recipient to timely substantiate evidence of compliance for installation of verified technologies for EPA and U.S. Department of Energy grants. The review also found that personnel had limited knowledge of generally accepted accounting principles, specifically as they relate to accounting for financial receivables, loan fees and allowance for losses. Due to the internal control findings reported by the single auditor and the inability of the

recipient's accounting system to ensure that federal costs are allowable under its grants, we questioned \$2,767,077 in reported EPA federal expenditures.

*Agency Explanation:* Resolution is on hold and beyond agency control.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 12-3-0674, Galeton Area School District, Pennsylvania - FY 2011, August 16, 2012**

*Summary:* This review found that the Galeton Area School District did not have documentation to substantiate certain controls for purchasing goods and services. In addition, the district did not have adequate segregation of duties over record-keeping and financial reporting functions.

*Agency Explanation:* The Office of Grants and Debarment is in the process of writing a management decision regarding the acceptability of the district's correction action and hopes to issue a decision by March 31, 2014.

*OIG Follow-up Status:* No agency response provided.

**Report No. 12-4-0224, Examination of Costs Claimed Under Cooperative Agreement X7-83325501 Awarded to Kathleen S. Hill, January 23, 2012**

*Summary:* We found that the recipient did not have a financial management system that met federal standards. The recipient did not have adequate controls to ensure that costs claimed were in accordance with Code of Federal Regulations requirements. The recipient's cash draws did not comply with 40 Part 30 requirements or the terms and conditions of the cooperative agreement. As a result, we questioned \$80,721 of the \$726,587 claimed under the cooperative agreement.

*Agency Explanation:* The Office of Grants and Debarment continues to work to come to agreement with the program office and recipient in developing and issuing the agency's management decision to address the OIG findings listed in the audit report on assistance agreement X7-83325501 awarded to Kathleen Hill. The Office of Grants and Debarment hopes to issue its management decision by March 30, 2014.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 12-R-0749, Examination of Costs Claimed Under EPA Cooperative Agreement 2A-83440701 Awarded Under the Recovery Act to Cascade Sierra Solutions, Eugene, Oregon, September 4, 2012**

*Summary:* Cascade Sierra Solutions' financial management system did not support that funds drawn are reasonable and allocable in accordance with applicable laws and regulations. In particular, the grantee's financial management system pertaining to cash draws, revolving fund accounting, project costs and progress reporting did not meet the requirements of the Code of Federal Regulations, and procurements did not meet competition cost and price analysis requirements. Reporting of the number of jobs created or retained with Recovery Act funds did not comply with the OMB guidance. As a result, we were unable to provide an opinion on the financial resources, related liabilities, revenue, expenses and residual balances. Therefore, we questioned the \$9 million drawn as unallowable costs.

*Agency Explanation:* Resolution is on hold and beyond agency control.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-3-0062, El Cerrito, California, City of – FY 2011, November 28, 2012**

*Summary:* City employees in charge of managing allowable grant expenditures for the Small Cities Climate Action Partnership Project were not aware of OMB Circular A-87 and the policies it entails. Also, reimbursement requests for the city's various grant-funded street and other related projects were not being prepared timely as evidenced by the year-end fund balance deficit in the Capital Improvement Capital Projects Fund of \$835,000.

*Agency Explanation:* The Office of Grants and Debarment has contacted the city to confirm that it has implemented the appropriate corrective actions indicated in its response. Once received, the Office of Grants and Debarment will evaluate the city's response and issue its management decision regarding its adequacy and acceptability. The Office of Grants and Debarment hopes to issue that decision by March 30, 2014.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-3-0094, National Tribal Environmental Council, New Mexico – FY 2007, January 9, 2013**

*Summary:* The single auditor reported five financial statement and three major program compliance findings related to internal controls over cash, reconciliations, proper recording of direct costs, procurement, cash management, allowability of costs, and reporting.

*Agency Explanation:* Resolution is on hold and beyond agency control.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-3-0121, Cascade Sierra Solutions, Eugene, Oregon – FY 2011, January 29, 2013**

*Summary:* The single auditor reported growing concern regarding issues with the recipient. We continue to recommend that the recipient maintain high risk status. We also questioned all EPA expenditures, totaling almost \$3 million, due to significant compliance issues, including the recipient's ability to account for its Clean Diesel Revolving Loan expenditures.

*Agency Explanation:* Resolution is on hold and beyond agency control.

*OIG Follow-Up Status:* No agency response provided.

**Financial Analysis and Rate Negotiation Service Center****Report No. 06-4-00165, National Academy of Sciences—FY 2006 Indirect/Other Direct Costs System, September 27, 2006**

*Summary:* In the Defense Contract Audit Agency's (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:* Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

*OIG Follow-Up Status:* Resolution on hold pending receipt of additional information.

**Report No. 07-1-00061, 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. The 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:* Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

*OIG Follow-Up Status:* Resolution on hold pending receipt of additional information.

**Report No. 07-1-00080, 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 any of the 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:* Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

*OIG Follow-Up Status:* Resolution on hold 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. The 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:* Resolution on hold. Resolution of audit results is not the EPA's responsibility but the responsibility of the Department of Defense. Therefore, an expected resolution date cannot be determined at this time.

*OIG Follow-Up Status:* Resolution on hold pending receipt of additional information.

**Report No. 13-4-0116, Agreed-Upon Procedures Applied to Proposal Submitted Under EPA Solicitation No. SOL-HQ-12-00006 by Toeroek Associates, Inc., Lakewood, Colorado, January 23, 2013**

*Summary:* The application of the agreed-upon procedures identified variances relating to the data manager rate calculation, program management and profit. These results are provided to the Office of Acquisition Management for contract negotiation purposes. The contracting officer should consider the variances noted and the potential impact on the contract price during contract negotiations. In addition, we found that Toeroek and its subcontractor proposed a method for charging program management that is not consistent with their disclosed or actual practices.

*Agency Explanation:* An award was made under this solicitation to Toeroek. The Office of Acquisition Management has notified the OIG and anticipates closure by November 30, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-4-0125, Agreed-Upon Procedures Applied to Proposal Submitted Under EPA Solicitation No. SOL-HQ-12-00005 by Advanced Environmental Management Group, Plymouth, Michigan, January 30, 2013**

*Summary:* The application of the agreed-upon procedures identified variances relating to labor rates, fringe benefits, general and administrative costs, program management, escalation and profit. The contracting officer should consider the variances noted and the potential cost impact during the negotiation of the contract. The company did not bid \$114,154 of the proposed price in accordance with its actual cost practice. This amount represents the total program management fee.

*Agency Explanation:* According to the contracting officer, solicitation SOL-HQ-12-00005 was the small-business set-aside, which was canceled and not awarded due to sequestration and lack of funding. Since a contract was not awarded to the offeror, this audit is closed. The Office of Acquisition Management submitted a closure request and anticipates closure by November 30, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-4-0153, Office of Acquisition Management Request – Seagull Environmental, February 15, 2013**

*Summary:* The application of the agreed-upon procedures identified variances relating to Seagull's indirect rate calculation and Seagull's and its subcontractor's program management and profit. Seagull and its subcontractor proposed a method for charging program management that is not supported by their disclosed or actual practices. As a result, \$44,393 of the proposed price was not bid in accordance with Seagull's and its subcontractor's cost accounting practices.

*Agency Explanation:* The OIG performed a proposal review but the offeror was not awarded the contract. Since a contract was not awarded to Seagull, the Office of Administration and Resources Management requested the OIG to close out this audit. Closure is anticipated by November 30, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-4-0154, Office of Acquisition Management Request – SES Inc., February 15, 2013**

*Summary:* The application of the agreed-upon procedures identified exceptions relating to labor rates, escalation factors, indirect costs, program management fees, handling fees and profit. SES proposed a method for charging program management that is not consistent with its actual practices. As a result, \$19,201 of the proposed price was not bid in accordance with SES's actual cost practices.

*Agency Explanation:* The OIG performed a proposal review but the offeror was not awarded the contract. Since a contract was not awarded to SES, the Office of Administration and Resources Management requested the OIG to close out this audit. Closure is anticipated by November 30, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Region 1—Regional Administrator****Report No. 12-3-0120, Southern New Hampshire Planning Commission – FY 2012, January 29, 2013**

*Summary:* The New Hampshire Planning Commission received numerous grant awards from the EPA. At the time of fieldwork, the single auditors were not provided with the following information required for federal reporting purposes: federal award amount, grant number, Catalog of Federal Domestic Assistance number, and pass-thru agency.

*Agency Explanation:* Region 1 continues to work with the recipient on this audit. Region 1 anticipates closing this out by October 31, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Region 2—Regional Administrator****Report No. 12-3-0198, Onondaga Environmental Institute, New York – FY 2009, January 12, 2012**

*Summary:* This review found that the organization lacks sufficient internal controls over the financial records and the preparation of the financial statements to prevent or detect errors in the financial data, including those which may be material in relation to the financial statements. Assets and liabilities, along with related revenue and expense accounts, were materially misstated and, in some instances, adequate supporting documentation was not available. The review also found that the organization lacks adequate professional expertise and technical skill to maintain complete and accurate financial records, along with adequate supporting documentation.

*Agency Explanation:* The grantee's corrective action plan is not fully satisfactory to Region 2. Region 2 is currently reviewing documentation submitted to support grant expenses, but the documentation does not appear to comply with EPA regulations. We continue to have dialogue with the grantee, and expect to issue a management decision by December 31, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 12-3-0734, Onondaga Environmental Institute, New York – FY 2010, August 23, 2012**

*Summary:* This review found that the organization lacked sufficient internal controls over the financial records and the preparation of the financial statements to prevent or detect errors in the financial data. The institute lacked individuals with adequate professional expertise and technical skill to maintain complete and accurate financial records. In addition, supporting documentation was lacking in certain circumstances. The review also found that the institute did not have controls, policies or procedures to minimize time elapsed between the transfer and disbursement. As a result, advanced funds were used for general management. Similar findings were noted in the prior year audit report.

*Agency Explanation:* The grantee's corrective action plan is not fully satisfactory to Region 2. Region 2 is currently reviewing documentation submitted to support grant expenses, but the documentation does not appear to comply with EPA regulations. We continue to have dialogue with the grantee, and expect to issue a management decision by December 31, 2013.

*OIG Follow-Up Status:* Incomplete response.

**Report No. 13-3-0042, Onondaga Environmental Institute, New York – FY 2011, November 6, 2012**

*Summary:* The grantee does not have sufficient internal controls over the financial records and the expertise needed to prepare financial statements on the full accrual basis. This is a repeat finding from the prior year. We also found that the grantee does not have controls, policies or procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. The single auditor reported in Note 1 to the financial statements that amounts due to the EPA consist of expenses vouchered and reimbursed or reduced from the refundable advance during 2009. These expenses had previously been reimbursed by the EPA and, as such, must be repaid or otherwise reduced by allowable expenditures not claimed on other grants. Upon reviewing the financial statements, the grantee identified \$355,292 that is due to the EPA as a result of cash drawn in excess of previously reimbursed funds. This amount should be refunded to the EPA.

*Agency Explanation:* The grantee's corrective action plan is not fully satisfactory to Region 2. Region 2 is currently reviewing documentation submitted to support grant expenses, but the documentation does not appear to comply with EPA regulations. We continue to have dialogue with the grantee, and expect to issue a management decision by December 31, 2013.

*OIG Follow-Up Status:* Incomplete response.

**Region 4—Regional Administrator****Report No. 12-4-0499, Costs Claimed by the North Carolina Rural Economic Center, Inc., Under EPA Grant No. X96418405, May 23, 2012**

*Summary:* This review found that the grantee did not comply with the Code of Federal Regulations regarding financial management. The grantee did not properly allocate direct costs between state and federal funding sources. Therefore, the EPA should recover \$1,192,500 in costs questioned under the grant. The grantee failed to properly allocate the questioned costs primarily because the EPA provided incorrect guidance and inadequately monitored the grant. The region must recognize that the \$178,556 budget revision it directed is not allocable to the EPA grant because it shifted subcontract costs allocable to state funding sources to the EPA grant. Additionally, the grantee was unfamiliar with federal grant regulations. We recommended that Region 4 disallow all costs paid under the grant and recover \$1,192,500. Region 4 and the grantee disagreed with our draft findings and recommendation. We evaluated the information contained in their responses to our draft report, but did not modify our findings or recommendation. The recommendation is unresolved with resolution efforts in progress.

*Agency Explanation:* Two of the three corrective actions have been completed. The third corrective action required Region 4 to request the grantee to submit the methodology for accounting for the allocation of costs among state and federal funding sources for the full project costs. The region has reviewed the revised allocations and determined the costs charged to the EPA were reasonable, allowable, supported by appropriate documentation and allocable to the EPA. On September 5, 2013, Region 4 responded to the OIG with this additional information. Region 4 is awaiting its review by the OIG. Region 4 expects resolution by December 2, 2013.

*OIG Follow-Up Status:* Response received and under review.

**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 the Code of Federal Regulations 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:* The Office of Grants and Debarment and the region are discussing contents of the proposed final determination letter. Projected completion date is December 30, 2013.

*OIG Follow-Up Status:* Proposed response received in review process.

**Region 9—Regional Administrator****Report No. 13-3-0159, Summit Lake Paiute Tribe, Nevada – FY 2010, February 19, 2013**

*Summary:* The tribe did not file or maintain documentation of compliance for annual reports. Also, the required SF 425 report did not cover the correct period. A similar finding was noted in the prior year audit report. The tribe recorded deferred revenues in the amount of \$804,104 and only \$150,416 in available cash. The single auditor questioned \$653,688. A similar finding was noted in the prior year audit report. The tribe's operating practices did not reflect the processes described in the approved policies and procedures manual. The tribe did not properly reconcile its SF 425 report to the general ledger for certain awards and the single auditor questioned \$20,556. The single auditor also questioned \$76,216 involving amounts paid the General Assistance Program Director.

*Agency Explanation:* A management decision letter is pending resolution of appeal of the other three outstanding audits (11-3-0150, 11-3-0151 and agreed-upon procedures). Region 9 anticipates a decision by December 31, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Report No. 13-3-0160, Summit Lake Paiute Tribe, Nevada – FY 2011, February 19, 2013**

*Summary:* The tribe did not file the quarterly narratives for the General Assistance Program. Furthermore, the tribe was unable to locate documentation for two quarterly SF 425 reports. There were no formalized controls regarding the security of the payroll stamp. Also, the single auditor noted issues related to pay rates. A similar finding was noted in the prior year audit report. Budgets prepared excluded the carry-forward amounts from prior periods. Several transactions were not supported by a purchase order or other type of approval prior to the expenditure being made. One transaction charged to travel in the amount of \$2,877 did not appear to be valid and appropriate for the granting requirements, and the single auditors questioned that amount.

*Agency Explanation:* A management decision letter is pending resolution of appeal of the other three outstanding audits (11-3-0150, 11-3-0151 and agreed-upon procedures). Region 9 anticipates a decision by December 31, 2013.

*OIG Follow-Up Status:* No agency response provided.

**Total reports issued before reporting period for which  
no management decision had been made as of September 30, 2013 = 25**

## Appendix 3—Reports With Corrective Action Not Completed

In compliance with reporting requirements of Section 5(a)(3) of the Inspector General Act of 1978, as amended, “Identification of Reports Containing Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed,” and to help EPA and CSB 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/2014/20131115-14-N-0016.pdf>) is produced semiannually for agency leadership and Congress based on agency reports on the status of actions taken on OIG recommendations and OIG selective verification of reported status.

## Appendix 4—Peer Reviews Conducted

The most recent peer review report on the EPA OIG was issued on May 9, 2012, by the U.S. Department of Health and Human Services OIG. That review, covering the 3-year period ending September 30, 2011, found that the EPA OIG system of quality control was suitably designed and complied with applicable *Government Auditing Standards*. That report had given the EPA OIG a peer review rating of *pass* with no deficiencies cited.

The EPA OIG completed an external peer review of the investigative operations of the U.S. Veterans Administration and issued a quality assessment review report on August 23, 2013. We reviewed the system of internal safeguards and management procedures in effect for the period October 1, 2011, through September 30, 2012. The review was conducted in conformity with the Quality Standards for Investigations and the Quality Assessment Review Guidelines established by the Council of the Inspectors General on Integrity and Efficiency, and the Attorney General's Guidelines for Office of Inspectors General with Statutory Law Enforcement Authority, as applicable. The review determined the operations and controls were compliant with the applicable standards and guidelines.

The EPA OIG had completed an external peer review of the system of quality controls for the OIG audit organization of the U.S. Department of Agriculture and issued a report on November 13, 2012. The review, covering the period of April 1, 2009, through March 31, 2012, was conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. The EPA OIG's system review report recognized that the U.S. Department of Agriculture OIG audit organization's system of quality control was "suitably designed and complied with" to provide "reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects." The U.S. Department of Agriculture OIG audit organization received a peer review rating of *pass*. The accompanying letter of comment identified areas for improvement and included three recommendations. The U.S. Department of Agriculture OIG has completed corrective actions to address our three recommendations.

## Appendix 5—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: (703) 347-8740

#### 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  
11201 Renner Boulevard  
Lenexa, KS 66219  
Audit/Evaluation: (913) 551-7878  
Investigations: (312) 353-2507

#### New York

U.S. Environmental Protection Agency  
Office of Inspector General  
290 Broadway, Room 1520  
New York, NY 10007  
Audit/Evaluation: (212) 637-3049  
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) 814-2367

#### 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) 947-8711

#### 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) 553-6906  
Investigations: (206) 553-1273

#### Washington

U.S. Environmental Protection Agency  
Office of Inspector General  
Potomac Yard  
2733 Crystal Drive  
Arlington, VA 22202  
Investigations: (703) 347-8740

#### 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  
1200 Pennsylvania Avenue NW  
Mailcode 2431T  
Washington DC 20460  
fax: 202-566-2599 · 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